No.

In the Supreme Court of the United States

OCTOBER TERM, 1977

77-665

UNITED STATES OF AMERICA, PETITIONER

v.

STEPHEN PITCAIRN, Agent for Shareholders of Autogiro Company of America

---

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

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The Solicitor General, on behalf of the United States of America, petitions for a writ of certiorari to review the judgment of the United States Court of Claims in this case.

OPINIONS BELOW

The opinion of the trial judge of the Court of Claims (App. A, *infra*, pp. 1a-31a) is not officially reported. The opinion of the Court of Claims (App. B, *infra*, pp. 32a-108a), as amended on rehearing (App. C, *infra*, pp. 109a-112a), is reported at 547 F.2d 1106.[1]

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[1] We have not reproduced the trial judge's findings of fact or his two opinions on remand concerning the computation of the damages because they do not bear upon the questions

JURISDICTION

The Court of Claims announced its opinion with respect to the questions presented here on December 15, 1976, and, except for amendments to its original opinion, denied both parties' motions for rehearing on March 4, 1977 (App. C, *infra*, pp. 109a-112a). The final judgment of the Court of Claims was entered on July 12, 1977 (App. D, *infra*, pp. 113a-115a). By order dated October 6, 1977, the Chief Justice extended the time for filing a petition for a writ of certiorari to and including November 9, 1977, without prejudice to the Court's consideration of whether the application was timely filed. The jurisdiction of this Court is invoked under 28 U.S.C. 1255(1).

QUESTIONS PRESENTED

This case raises two interrelated questions concerning the determination of "reasonable and entire compensation" due to a patent holder as a result of the government's use of his patents under 28 U.S.C. 1498(a):

1. Whether such compensation may be measured solely by licensing offers that were not accepted and by a licensing agreement's royalty provision that was never implemented.

2. Whether amounts actually paid under a licensing agreement (and, inferentially, the patent holder's low rejected sales offers) may be disregarded on the

presented. However, for the convenience of the Court, we have lodged with the Clerk copies of the trial judge's findings and of the opinions on remand.

theory that the government's ability to use the patented invention without a license, subject to later payment of statutory compensation, placed the patent holder in a weak bargaining position vis-a-vis potential nongovernmental licensees or purchasers.

STATUTE INVOLVED

28 U.S.C. 1498(a) provides in pertinent part:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.
>
> For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

STATEMENT

Respondent is an agent for the former shareholders of Autogiro Company of America.[2] In *Autogiro*

[2] Autogiro Company of America was liquidated in 1973 and all of its assets, including the claims against the government that are the subject of this case, were transferred to its shareholders (App. B, *infra*, p. 34a). We therefore use the term "respondent" to refer interchangeably to the agent and to the corporation.

Company of America v. *United States*, 384 F.2d 391, the Court of Claims upheld the validity of 59 patent claims respecting 11 patents owned by respondents covering various inventions pertaining to autogiros or helicopters. The court further held that the government had infringed certain of these patents as a result of the manufacture of seven helicopter models by contractors on behalf of the government (App. B, *infra*, p. 34a).

The present phase of the litigation involves the computation of the "reasonable and entire compensation" due to respondent under 28 U.S.C. 1498(a). The recovery period runs from November 1946, when the government first infringed one of the patents, until May 1964, when the last patent expired (App. B, *infra*, p. 43a).

1. Effective January 1, 1947, respondent entered into a licensing agreement with United Aircraft Corporation, the largest helicopter manufacturer at that time. The agreement called for payment to respondent of a royalty of $500 per aircraft for the period ending December 31, 1948,[3] with the royalty to change to two percent of the total retail sales price as of January 1, 1949. The agreement could be terminated at any time after December 31, 1948, upon six months' written notice (App. B, *infra*, pp. 45a-46a and n. 7; Tr. 8614; see also App. B,

[3] The agreement provided that for the period before 1949 the minimum annual royalty would be $10,000 (App. B, *infra*, pp. 53a-54a n. 16).

infra, p. 97a). After the United agreement was executed, respondent proposed similar licenses to the other major manufacturers of helicopters. However, these companies refused to take licenses from respondent (App. B, *infra*, p. 46a).

In 1948, United expressed its unwillingness to permit the two percent rate to become effective and its intent to cancel the agreement as of January 1, 1949. United advised respondent, however, that it would be willing to accept a paid-up license for $325,000, less royalties previously paid. Respondent and United thereupon commenced several months of negotiations, in which respondent proposed that United purchase the patents outright for $750,000 (App. B, *infra*, p. 46a; Def. Ex. 17-3, pp. 7-10; Def. Exs. 19-8, 19-9, 19-10, 19-11 (offers of proof)).[4] Ultimately, respondent accepted United's offer to accept a fully paid-up license for $325,000. Toward this purchase price, United received a credit for the $204,261.26 in royalties it already had paid. Thus, in January 1949, United paid respondent the difference of $120,-738.74 for the paid-up license (App. B, *infra*, pp. 95a-96a; Def. Ex. 17-6). The 1947 and 1949 United licenses were the only ones actually granted by re-

[4] Respondent did not challenge the authenticity of the documents supporting the existence of its offer to sell the patents and did not deny that the evidence established that it made such an offer (see App. B, *infra*, p. 95a). However, over the government's objection, the trial judge excluded such evidence on the ground that respondent's offer was not evidence of the value of the patents (see Tr. 8121-8124).

spondent from November 1946 until expiration of the last patent in May 1964 (App. B, *infra*, p. 46a).

At trial, the government's chief witness was Lawrence Glassman, who had extensive experience in the field of patents.[5] In determining the "reasonable and entire compensation" due respondent, Glassman computed the actual and projected sales of licensed helicopters by United for the recovery period to be $141,801,852. The total royalties paid by United to respondent for this period under the two license agreements was $184,238.74. Glassman then divided the amount of royalties by the projected and actual sales to arrive at a royalty rate of 0.1299 percent. Since the government's total helicopter procurement during the recovery period was $639,243,969, Glassman concluded that respondent was entitled to royalty compensation of $830,377.92 ($639,243,969 x .001299) (App. B, *infra*, pp. 102a-106a n. 3).

2. The trial judge rejected the relevance of the two operative United license agreements in determining the "reasonable and entire compensation" due respondent. In his view, these negotiated agreements were not material because they were concluded after the date upon which the infringement began (App. A, *infra*, p. 15a). Pursuant to the trial judge's analysis, the initial infringement was a taking of respondent's entire property (App. B, *infra*, p. 43a). He thereafter concluded that the appropriate measure of royalty compensation was $24,570,525, *i.e.*, approximately 3.85 percent of the total procurement cost of $639,243,969 (App. A, *infra*, p. 16a).

3. In a *per curiam* opinion, the Court of Claims upheld the compensation award to the extent of $14,440,772 (App. B, *infra*, pp. 32a-72a; App. D, *infra*, p. 114a). The court held that the trial judge was wrong in failing to consider the 1947 licensing agreement between respondent and United in fixing the compensation due respondent. As the court explained, the fact that this agreement was entered into after the date of the first infringement did not detract from its evidentiary value in computing the compensation, since the infringements occurred continuously throughout the recovery period from November 1946 to May 1964 (App. B, *infra*, pp. 42a-43a).[6]

The court based its $14,440,772 compensation award on the two percent royalty provision of the 1947 licensing agreement. Although the court acknowledged that no royalties were ever paid at two

[5] After working as a Patent Examiner for four years, Glassman performed patent work for the Army Material Command, including the negotiation of license agreements and settlement of infringement claims (App. B, *infra*, pp. 101a-102a).

[6] The court's *per curiam* opinion was joined by only three judges—Chief Judge Cowen and Judges Davis and Skelton (App. B, *infra*, p. 40a n. 3). Judges Nichols and Kunzig concurred in the result (*ibid.*). In their view, "the Royalty Compensation should be at least as much as the conclusions stated in * * * [the *per curiam* opinion] * * * and, indeed, considerably larger yet" (App. B, *infra*, p. 72a). They would have awarded $20 million in royalty compensation (App. B, *infra*, p. 77a).

percent because that rate never became effective, it concluded that the two percent figure was "highly probative" (App. B, *infra*, p. 49a) of the value of the patents because "[respondent] proposed similar licenses to other major manufacturers of helicopters, in effect announcing its post-war rate to be 2%" (App. B, *infra*, p. 46a). In the court's view, the refusal of the aircraft companies to enter into license agreements with respondent on a two percent basis was outweighed by the "significant fact * * * that * * * [respondent] made the offer and made it widely" (App. B, *infra*, p. 46a). The court rejected the relevance of the subsequent paid-up license agreement as an indicium of value, because it viewed that agreement as the product of "one-sided litigation pressure" by United upon respondent (App. B, *infra*, p. 52a). Accordingly, it ruled that "the 2% rate should be accepted for all infringements" (App. B, *infra*, p. 51a).[7]

Judges Kashiwa and Bennett dissented (App. B, *infra*, pp. 83a-108a). They would have limited respondent's royalty compensation to $830,377.92, in accordance with the analysis of the government's expert. In their view, respondent's two percent arrangement with United was not a reliable gauge of the patents' market value because no royalties were ever paid under that agreement. Since the two percent

[7] For the period prior to January 1, 1949, the court applied the $500 per aircraft royalty and the $10,000 minimum annual royalty of the 1947 agreement. From January 1, 1949, it applied the two percent rate (App. B, *infra*, pp. 53a-54a n. 16).

formula was superseded by a paid-up license, the dissenting judges concluded that the lower rate of that paid-up license placed a ceiling on the amount of respondent's recovery. As Judge Kashiwa stated, "To view the case otherwise is simply to ignore the market value which * * * [respondent] itself placed on a license under its patents" (App. B, *infra*, p. 97a).[8]

[8] After the Court of Claims announced its opinion on December 15, 1976, both parties filed timely motions for rehearing. Pursuant to these motions, the court modified its opinion on March 4, 1977, in two important respects. At respondent's request, it enlarged the procurement base from total airframe price to total retail sales value so as to include helicopter engines and standard equipment in the procurement base. At the government's request, it clarified respondent's inability to claim $1.6 million of attorneys' fees, witness' fees, and expenses (App. C, *infra*, pp. 109a-112a; see also App. B, *infra*, pp. 60a-61a). As provided in the court's original opinion, the case was remanded to the trial judge for computation of the amount of the recovery (App. C, *infra*, p. 101a).

In a memorandum opinion of March 30, 1977, the trial judge held that the retail sales value against which the royalty rate was to be applied should be increased 40 percent to take into account the value of the engines and standard equipment. The government excepted to this decision. On June 21, 1977, the Court of Claims held that the trial judge's 40 percent increase was wrong and that the proper increase was 10 percent in accordance with the government's submission. On June 24, 1977, the trial judge entered a second memorandum opinion setting forth a proposed judgment. The government further excepted to the trial judge's second opinion on the ground that the two percent royalty rate did not apply to some of the procurement. On July 12, 1977, the Court of Claims rejected the government's second exception and entered final judgment (App. D, *infra*, pp. 113a-115a).

REASONS FOR GRANTING THE WRIT

In awarding respondent $14.4 million—the largest judgment ever rendered in favor of a patent holder under 28 U.S.C. 1498(a)—the Court of Claims departed from the longstanding rule, well established by prior decisions of this Court, that unaccepted offers and other indicia that have not met the test of the marketplace may not be used as affirmative evidence of the value of property taken or used by the government. The Court of Claims held that the value of the patents at issue here was not less than the value placed upon them by respondent's rejected licensing offers and by the royalty provision of a licensing agreement that never became effective and under which no royalties were ever paid. In so ruling, the court rejected, on grounds that will be present in almost every action under 28 U.S.C. 1498(a), the value of the patents established by a licensing agreement that did become effective, and it ignored the fact that respondent had unsuccessfully attempted to sell its entire rights in the patents for approximately five percent of the value the court placed upon the government's mere nonexclusive use of the patented inventions.

The decision below threatens to increase drastically the amounts of judgments against the government in patent infringement and cognate eminent domain suits. Its logic will permit claimants to prove value on the basis of unaccepted offers and unimplemented contracts, and will require substantial discounting of the evidence afforded by arm's length agreements

between nongovernmental parties. In particular, the holding below exposes the government to respondent's claims for almost $100 million in additional compensation arising out of similar facts.

Since the Court of Claims is the only forum empowered to hear patent infringement suits against the government under 28 U.S.C. 1498(a), no square conflict of decisions will ever arise among the lower federal courts. This Court therefore should review this case in order to reaffirm the prior settled understanding that the proper measure of damages in such cases is established by operative licensing agreements to which the patent holder is a party, and thereby to assure that the government is not required substantially to overpay for its lawful use of patented inventions.

1. The use or manufacture by or for the government of a device or machine embodying any invention protected by a United States patent is a taking of property under its power of eminent domain. The nature of the property taken is a license in the patent, which continues throughout the life of the patent or the period of the infringing procurement, whichever is shorter. Thus, the appropriate measure of damages in a suit by a patent holder against the government under 28 U.S.C. 1498(a) for "reasonable and entire compensation" is the royalties that would have been payable under a comparable license of the patent, so as "to accomplish complete justice as between the plaintiff and the United States." *Waite* v. *United States*, 282 U.S. 508, 509. See also *Crozier* v. *Krupp*,

224 U.S. 290, 305-308; *Calhoun* v. *United States*, 453 F.2d 1385, 1391 (Ct. Cl.); *Irving Air Chute Co.* v. *United States*, 93 F. Supp. 633 (Ct. Cl.).

Here, the recovery period ran from November 1946 to May 1964. During that period, respondent received royalties under two different licensing agreements with United Aircraft Corporation. Under the first agreement, effective as of January 1, 1947, United paid respondent a royalty of $500 per aircraft manufactured to and including December 31, 1948. Although the parties had provided in that agreement for a two percent royalty from and after January 1, 1949, that provision was subject to termination upon prior notice; United never permitted the provision to go into effect but instead obtained a paid-up license from respondent for a net price of approximately $120,000, which was equivalent to a royalty rate of 0.1299 percent. The two percent royalty provision thus was akin to an option that United chose not to exercise.

In fixing the compensation award on the basis of the unimplemented royalty provision of the 1947 agreement, the Court of Claims relied upon the fact that respondent "proposed similar licenses to other major manufacturers of helicopters, in effect announcing its post-war rate to be 2%" (App. B, *infra*, p. 46a). The court further observed, "These companies all refused to take licenses but the significant fact is that * * * [respondent] made the offer and made it widely" (*ibid.*).

It requires little citation of authority to demonstrate the error of the court's reasoning. If the government exercises its power of eminent domain to take property having a fair market value of $1,000, the fact that the owner, anticipating that he will be compensated for the taking, has offered the property for sale widely at $1 million must have no significance if no one is willing to pay such a price.[9] A determination of the market value of property taken or used by the government cannot rest upon unaccepted offers or unexercised options. See *Sharp* v. *United States*, 191 U.S. 341, 349.

Moreover, the decision below conflicts with the rule established by this Court almost a century ago in *Rude* v. *Westcott*, 130 U.S. 152, 165, that "[i]n order that a royalty may be accepted as a measure of damages against an infringer, who is a stranger to the license establishing it, * * * it must be paid by such a number of persons as to indicate a general acquiescence in its reasonableness by those who have occasion to use the invention * * *." Under this test, respondent's mere offers of a two percent royalty for its patents are irrelevant to the measure of its "reasonable and entire compensation," since the entire industry refused to accept such a licensing agreement. Indeed,

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[9] In most cases, of course, an owner's rejected sale offer indicates the maximum value that may be attributed to the property and thereby serves to place a ceiling upon permissible compensation. Here, respondent offered to sell the patents for $750,000, a price that should have set an approximate ceiling on the compensation payable for their use. See pp. 14-16, *infra*.

United, which had secured the option of licensing at such a royalty rate from and after January 1, 1949, chose not to exercise that option and terminated its licensing agreement before that royalty provision became effective. Since the two percent royalty provision never became effective, and no one ever paid respondent that royalty during the recovery period, the presence of that provision in the contract with United is no more probative of value than are respondent's many unaccepted offers.

2. The Court of Claims further erred in rejecting the implemented paid-up licensing agreement between respondent and United as the proper measure of compensation. Apart from the 1947 agreement, which provided for a royalty of $500 per aircraft for the period ending December 31, 1948, the only operative licensing agreement to which respondent was a party during the recovery period was the paid-up license it granted United for approximately $120,000. Since respondent gave United a license covering all of the patents in issue for only $120,000, and had been willing to sell the patents outright for $750,000 (see App. B, *infra*, p. 95a), the $14.4 million judgment awarded by the court bears no reasonable relationship to the actual market value of the government's use of the patented invention through procurement from unlicensed manufacturers.

The court attempted to dismiss the probative value of the paid-up license agreement (and, inferentally, of respondent's offer to sell) by characterizing it as a product of United's "strong insistence" and "one-sided litigation pressure" and respondent's "hobbled position" (App. B, *infra*, p. 52a). In the court's view, respondent's "situation was unusual in that the Government was the dominant consumer of the articles embodying the patents, and this put * * * [respondent] to a disadvantage since it was very unlikely that an injunction could be obtained against United (or other infringers)" (App. B, *infra*, p. 51a).

But the government's position as the dominant consumer, and the fact that, with respect to sales to the government by unlicensed manufacturers, respondent was limited to the remedy of an action for compensation under 28 U.S.C. 1498, do not justify the court's conclusion that respondent was placed in a weakened bargaining position. Actually, the opposite conclusion is required. That the government is the dominant user of a patented invention and may use it without a license actually strengthens a patent holder's hand in dealing with potential licensees. In such circumstances, the patent holder knows that being a hard-nosed bargainer entails little risk that refusal of his offer will result in nonuse of the patent; the patent will be used, and he will receive "reasonable and entire compensation," even if he refuses to grant a license. Such a patent holder therefore has little to lose from holding out for the last dollar in his negotiations with potential licensees, especially since he knows that the price established by such negotiations may govern the measurement of compensation payable by the government.[10] In this case, the basis for

[10] Indeed, the Court of Claims itself implicitly recognized these considerations when it noted, in connection with the earlier agreement between respondent and United, "The rec-

the reduced price established by the 1949 agreement was both parties' realization that the value of the patents was declining (see App. B, *infra*, pp. 48a and 49a n. 11), not any "hobbled position" in which respondent found itself.

3. The decision below invites claimants in patent infringement and eminent domain suits against the government to introduce self-serving evidence of unaccepted offers and unimplemented contracts as proof of value. The potential for abuse is obvious. Unaccepted offers, as this Court observed in *Sharp* v. *United States*, *supra*, 191 U.S. at 349, "do not tend to show value, and they are unsatisfactory, easy of fabrication and even dangerous in their character as evidence upon this subject." Moreover, in a very high proportion of cases under 28 U.S.C. 1498(a), the government will be a dominant or substantial user of the patented invention at issue, thus triggering the court's disregard for actual market value as established in arm's length bargaining between the patent holders and third persons.

The decision in this case therefore augurs vastly larger judgments in patent compensation actions. Indeed, in two other infringement actions, brought by respondent involving other helicopter patents, respondent has asserted the unused two percent royalty rate approved by the decision below as *res judicata* in support of its further claims with respect to a potential procurement base of $4.5 billion. *Pitcairn* v. *United States*, Nos. 22-60 and 188-63. If the patents in those cases are found to be valid and infringed, the two percent rate will result in an award of $90 million, excluding delay compensation. The immediate impact of the decision below upon the government's ability to defend those actions, and its potential fiscal impact in other cases, warrants review by this Court.

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ord does not show that the 1947 United License was a one-sided effort by United to force * * * [respondent] to compromise its true position or face years of grinding litigation in this court under 28 U.S.C. § 1498" (App. B, *infra*, p. 47a). Nothing occurred between 1947 and 1949 to alter the essential bargaining positions of respondent and United as willing seller and buyer.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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NOVEMBER 1977.

APPENDIX A

IN THE UNITED STATES COURT OF CLAIMS

TRIAL DIVISION

No. 50328

(Filed: November 13, 1975)

STEPHEN PITCAIRN, AGENT

(Substituted for Autogiro Company of America)

v.

THE UNITED STATES

J. Edward Shinn, attorney of record for plaintiff, *John J. McAleese, Jr.*, of counsel.

B. Frederick Buchan, Jr., with whom was *Assistant Attorney General Rex E. Lee* and *Thomas J. Scott, Jr.*, for defendant.

OPINION *

LANE, *Trial Judge*: ** In *Autogiro Company of America* v. *United States*, 181 Ct. Cl. 55, 384 F.2d

* The trial judge's recommended decision and conclusion of law are submitted in accordance with Rule 134(h).

** Associate Judge, United States Court of Customs and Patent Appeals, sitting by designations pursuant to 28 U.S.C. § 293(a) and 28 U.S.C. § 2505.

391, 155 USPQ 697 (1967), *rehearing denied*, 184 Ct. Cl. 801 (1968), some 59 patent claims in 11 patients owned by plaintiff were held to be valid and specific patent claims were held to be infringed by seven different models of helicopters manufactured under contracts for defendant by Vertol, Hiller, Bell, Kaman or McCulloch. In 1973, the Autogiro Company of America was liquidated, and all of its assets, including its claims against the United States, one of which is the subject matter of this action, were transferred to its stockholders who appointed Stephen Pitcairn as their Agent. Pursuant to motion filed January 30, 1974, unopposed by defendant, Stephen Pitcairn, Agent, was substituted for Autogiro Company of America by the court's order filed February 12, 1974.

The parties to this suit agreed that during the accounting phase, both parties would have the right to present evidence as to the similarity or non-similarity between any model of rotary-wing aircraft or part thereof on which no proofs of infringement were offered at the original trial and those models of rotary-wing aircraft on which proofs were offered and which the court in its decision noted above found to infringe any of the patents remaining in suit. The parties have presented such proofs and have presented proof on various methods of computing the reasonable and entire compensation due plaintiff.

The main issues in the current phase of this litigation are (1) the similarity of non-similarity of some 39 models of rotary-wing aircraft to any of the seven

models which the court has already held to infringe one or more valid patent claims, and (2) how to compute the amount of the reasonable and entire compensation which plaintiff is to recover under 28 U.S.C. § 1498, for defendant's unauthorized use of plaintiff's inventions. After over 20 years of litigation, including some 62 trial sessions for the testimony of 57 witnesses on the two present issues, the parties are still poles apart on the end result. Examination of the voluminous record shows that there is little the parties can agree upon except that defendant spent over $639 million, engine costs excluded, in the recovery period, 1946-64, for over 2,200 rotary-wing aircraft.

Defendant now contends that the maximum amount of compensation which this court should allow is $532,279. This represents compensation at a rate of less than one percent, i.e., 0.0832 percent, on the total procurement cost of $639,257,969. Defendant contends that delay compensation (if any) should be computed at the rates at which the defendant might have borrowed money by hypothetical long term Government bonds, the estimated rates varying from 2.4 percent to 4.6 percent per annum, the average being 3.33 percent for the period 1947-75.

Plaintiff contends that "reasonable and entire compensation" which this court should adopt should include royalties at established rates amounting to $24,600,525, plus delay compensation amounting to $27,851,192 through 1973, plus upward adjustment by $15,034,439 of the royalties to compensate for

inflation, plus additional delay compensation for the period 1974 to date of payment, a total of some \$67,500,000 plus. The amount sought by plaintiff represents royalty compensation at a rate of 3.85 percent of the total procurement cost, and delay compensation at rates varying from 4 percent to 9 percent per annum, the average being 6.07 percent for the period 1947-73. The patents, patent claims, and models of rotary-wing aircraft now involved in this litigation are identified in the following table.

Patent Number (and dates of Issue/Expiration)	Claims	Adjudicated Infringing Model Relative to which Similarity Proofs were Presented	Similar Models
1,948,457 (2-20-34/2-19-51)	9, 12, 13, 14 & 18	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-1 & HRP-2
1,990,291 (2-5-35/2-4-52)	4	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-1 & HRP-2
"	4 & 6	Bell HTL-4	Bell HTL-1, HTL-2, HTL-3, HTL-5, YH-12B, YH-13, YH-13A, H-13B, H-13D & H-13E
"	4 & 6	Hiller H-23A	Hiller HTE-1
1,994,465 (3-21-39/3-18-52)	1, 5, 6, 7, 10 & 13	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-1, HRP-2 & HUP-2
2,151,215 (2-21-35/3-20-56)	1, 2, 3, 5, 6, 8 & 9	Kaman HOK-1	Kaman HTK-1
"	1, 5, 6 & 9	Kaman HOK-1	Bell HSL-1
2,321,572 (6-15-43/6-14-60)	8, 9, 28 & 29	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A & H-43B
2,339,836 (1-25-44/1-24-61)	1	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A & H-43B
2,344,966 (3-28-44/3-27-61)	1	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A & H-43B
2,344,967 (3-28-44/3-27-61)	1, 2, 3, 4, 13 & 18	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A & H-43B
2,380,582 (7-31-45/7-30-62)	6-9, 12, 13, 16 & 17	Bell HSL-1	None
1-5, 7-9, 12, 13, 16-21	McCulloch MC-4C	McCulloch YH-30	"

Patent Number (and dates of Issue/Expiration)	Claims	Adjudicated Infringing Model Relative to which Similarity Proofs were Presented	Similar Models
2,380,582 (7-31-45/7-30-62)	1-5, 7-9, 12, 13, 16-21	Vertol/Piasecki HUP-1	Vertol/Piasecki HUP-2 & HUP-3 (H-25A)
"	1, 2, 3, 5, 7, 8, 9, 12, 13, 16, 19, 20, & 21	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-1
"	1-5, 7, 8, 12, 16, 18, 19, 20 & 21	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-2
"	1, 3, 4, 5, 16, 17, 18, 19 & 20	Vertol/Piasecki HUP-1	Vertol/Piasecki YHC-1B (YHC-47A), HC-1B (CH-47A)
"	1-5, 7-9, 12, 13, 16-21	Vertol/Piasecki H-21B	Vertol/Piasecki YH-21, H-21A, H-21C & H-21 (V-44)
"	1, 3, 4, 5, 16, 17, 18, 19 & 20	Vertol/Piasecki H-21B	Vertol/Piasecki YHC-1A, HRB-1 (CH-46A)
"	1-5, 19 & 20	Vertol/Piasecki H-21B	Bell YH-40, HU-1, HU-1A, HU-1B & YHU-1D
"	1-5, 19 & 20	Vertol/Piasecki H-21B	Cessna YH-41 & CH-1C
"	1-5, 16, 18, 19 & 20	Vertol/Piasecki H-21B	Gyrodyne DSN-1 & DSN-3
"	1, 2, 3 & 5	Vertol/Piasecki H-21B	Kaman HU2K-1
2,380,583 (7-31-45/7-30-62)	56, 59, 60, 64 & 65	Vertol/Piasecki HUP-1	Vertol/Piasecki HUP-2 & HUP-3 (H-25A) & HRP-1
"	56, 60, 64 & 65	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-2
"	56, 59, 60, 64 & 65	Vertol/Piasecki H-21B	Vertol/Piasecki YH-21, H-21A, H-21C, H-21 (V-44A), YHC-1A, HRB-1 (CH-46A), YHC-1B (YHC-47A) & HC-1B (CH-47A)

Patent Number (and dates of Issue/Expiration)	Claims	Adjudicated Infringing Model Relative to which Similarity Proofs were Presented	Similar Models
2,380,583 (7-31-45/7-30-62)	59 & 60	Vertol/Piasecki H-21B	Kaman HOK-1, HUK-1, H-43A & H-43B
"	60	Vertol/Piasecki H-21B	Gyrodyne DSN-1 & DSN-3
"	60	Vertol/Piasecki H-21B	Cessna YH-41 & CH-1C
"	62	McCulloch MC-4C	McCulloch YH-30, Cessna YH-41 & CH-1C
"	62	McCulloch MC-4C	Kaman HU2K-1
2,421,364 (5-27-47/5-26-64)	33, 44 & 45	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A, H-43B & HH-43B

Findings of fact based on the evidence of record accompany this opinion. Certain findings of fact contained in the original trial report filed in 1965, as listed in present finding 418, have been *readopted* since they were not included in the court's opinion. These are reproduced as an appendix hereto for convenience.

Similarity

The order of the trial judge filed April 17, 1969 provided:

> (1) In the proceedings herein under Rule 47 (c)(2), neither party shall challenge the determinations of infringement, the validity, or the scope as construed by the court, of any claim found by the court to be valid and infringed in *Autogiro Company of America* v. *United States*, 181 Ct. Cl. 55, 384 F.2d 391 (1967), and
>
> (2) The decision whether "other specified types or models of aircraft or parts thereof, procured by defendant" are infringing aircraft or parts for which defendant is liable shall be based on proofs of "similarity or non-similarity" of construction and mode of operation between (a) such other aircraft or parts and (b) those found by the court to infringe. *Marconi Wireless Telegraph Co.* v. *United States*, 99 Ct. Cl. 1 (1942); *Fauber* v. *United States*, 112 Ct. Cl. 302 (1948).

Neither party requested review or modification of that order.

The evidence relating to the similarity or the identity between adjudicated infringing models and the

additional assertedly similar models consisted of comparison of the pertinent structures and the operation of the adjudicated infringing helicopters with corresponding structure and the operation of the assertedly similar models. That proof-procedure is in accord with the principles enunciated by this court in *Marconi Wireless Telegraph Co.* v. *United States*, 99 Ct. Cl. 1, 53 USPQ 246 (1942), *modified*, 320 U.S. 1 (1943).

Plaintiff's similarity proofs could have been limited to the subject matter of but a single claim of each of the patents in suit found valid and found to be infringed by the adjudicated models, thereby establishing the required proof of similarity in reference to the subject matter. The plaintiff's proofs were not so limited. The patent claims in suit are of varying scope and it is not required that "similarity" be established as to a given structure in respect to *all* claims of varying scope as found to be infringed. By the same token, the scope of the royalty base for the various patent claims in suit varies in accordance with the scope of the claimed subject matter. In view of the unchallenged and uncontradicted evidence establishing similarity, and in most instances the identity, as to the assertedly similar structures, and in view of the paucity of any credible evidence of non-similarity, plaintiff's assertions on similarity are found to be fully supported by the record.

Royalty Compensation

The use or manufacture by or for the Government of a device or machine embodying any invention protected by a United States patent, is a taking of property by the Government under its power of eminent domain. The nature of the property thus taken is a license in the patent, the claimed invention of which is used or manufactured by or for the government, and such a license continues throughout the life of the patent, or the period of the infringing procurement, whichever is shorter.

As this court recently stated in *Calhoun* v. *United States*, 197 Ct. Cl. 41, 51, 453 F.2d 1385, 1391, 173 USPQ 438, 443 (1972):

> . . . The theory underlying a patent suit in this court pursuant to that section [1498] is that the Government, when a patented device or invention is made or used by or for the United States, *ipso facto* takes by eminent domain a compulsory compensable license in the patent; the patentee obtains his Fifth Amendment just compensation for that taking through his action here under § 1498. See *Crozier* v. *Krupp*, 244 U.S. 290, 305, 307, 308 (1912); *Waite* v. *United States*, 282 U.S. 508, 8 USPQ 121 (1931); *Irving Air Chute Co.* v. *United States*, 117 Ct. Cl. 799, 802-03, 93 F.Supp. 633, 87 USPQ 246 (1950).

With respect to the basis for determining the patent owner's reasonable compensation where the evidence shows an established royalty rate used by the patent

owner in commercial licensing, the court went on to say:

> Thus, the patentee established a royalty which he deemed to be appropriate for the use of his invention; and that royalty should form the basis for determining the compensation due plaintiffs [197 Ct. Cl. at 56, 453 F.2d at 1394, 172 USPQ at 445].

A leading authority for determining "reasonable" compensation under section 1498, where there is found to be an "established royalty," is *Marconi, supra*, wherein this court clearly announced the procedure to be followed in such cases:

> The courts look with favor toward the establishment of a reasonable royalty as a measure of compensation in a patent accounting. This method usually obviates many difficulties connected with the establishing of such items as costs, profits, apportionments, expense of doing business, etc., all of which are matters frequently difficult to ascertain in a legal procedure.
>
> If the plaintiff has already established a royalty by a license or licenses, he has himself fixed the average of his compensation, and if this has been established prior to the infringement, the task of the court then becomes easy. [99 Ct. Cl. at 49, 53 USPQ at 250-51.]

The mandate of *Marconi*, namely, that it is the royalty which "has been established prior to the infringement" that determines the compensation to be awarded as reasonable royalty in eminent domain actions under section 1498, is in accord with the gen-

eral law of eminent domain that the relevant value of the property taken is its value at the time of the taking.

Pursuant to *Marconi, supra; Crozier* v. *Krupp*, 224 U.S. 290 (1912); and *Calhoun, supra*, in determining the compensation due plaintiff in this action, and particularly in ascertaining that portion of such compensation to be assessed as royalty for a license to use the inventions, and in ascertaining the fair and reasonable value to plaintiff the court must examine the licensing history of plaintiff's patented property predating the first unlicensed use or manufacture by or for the Government of any of the inventions thereof. That examination here reveals an established royalty at that point in time. For such a purpose a royalty is established when it or its substantial equivalent has been used in a significant number of licenses granted prior to the time the infringing procurement began. In the present case, the infringement began with the first unlicensed use or manufacture by or for the Government of any helicopter which embodied any inventions of plaintiff's patented property, and which use or manufacture is within the scope of this accounting proceeding. The infringement by the defendant began with the completion on or about November 8, 1946 of the first Piasecki model XHRP-1 manufactured for the defendant. Thus, in accord with *Calhoun, supra*, and *Crozier, supra*, on or about November 8, 1946, the Government took from the plaintiff's "a license to use the inventions" of plaintiff's patented property.

As developed in the accompanying findings, the record reveals a comprehensive 16-year licensing program prior to November 1946 for plaintiff's patented property, including all the patents in suit, and that licensing program encompassed all the United States makers of rotary-wing aircraft manufactured for or sold to the Government, or manufactured for sale commercially. That licensing history and the royalty provisions thereof meet fully the test for an established royalty. In 1930, plaintiff licensed Kellett Aircraft Corp. at the rate of 6 percent of retail sale price of the complete aircraft. This rate was changed to 5 percent during 1932-45. The Government procured rotary-wing aircraft from Kellett in the period prior to World War II and approved payment of the 5 percent royalty thereon to Autogiro. Pitcairn Autogiro Company was licensed during 1936-41 at the 5 percent rate. Pitcairn-Larsen Autogiro Company was licensed in 1941 at the rate of 5 percent of the retail sale price of the complete aircraft or at 7 percent of the sale price if sold without engine or standard equipment. A.G.A. Aviation Corporation was licensed 1941-43 at the same 5 percent and 7 percent rates. The Firestone Tire and Rubber Company was licensed by the plaintiff 1943-46 at the same 5 percent and 7 percent rate subject to a sliding scale. Firestone was again licensed about March 12, 1946, as of September 1, 1944, at the rate of 10 percent of the retail sale value of the patent components, i.e., a per patent royalty, but with a royalty ceiling of 5 percent of the total retail sale value of the complete aircraft and

spare parts, and subject to a sliding scale which reduced the rate as royalties exceeded stated amounts. The sliding scale provided that for the first $50,000 of royalties, the sum of the per patent royalties applicable to each such complete helicopter and spare parts therefor but not to exceed 5 percent of the total sale value; for the next $45,000 of royalties 9/10ths of the initial rate; for the next $40,000 of royalties 8/10th of the initial rate; and thereafter 7/10ths of the initial rate. The license taken by Firestone in March of 1946 was offered at the same rates to other manufacturers of rotary-wing aircraft. The terms of that license established the license policy of the plaintiff at a time shortly prior to the start in late 1946 of the defendant's unauthorized use of plaintiff's patented inventions. The defendant could have and should have taken a license at those rates, but refused.

The evidence shows that Autogiro received patent royalties under nine licenses during the 1932-46 period, some at the 5 percent rate, some at the 7 percent rate, and some at .85 percent nominal wartime rate.

In 1943, the plaintiff unilaterally selected and proffered to the Government and to the industry a *nominal wartime* royalty rate of .85 percent of the contract price of the aircraft. The nominal rate for the duration of World War II plus 6 months was plaintiff's contribution to the war effort and was not plaintiff's established license policy. Plaintiff granted *wartime* licenses, which covered all of plaintiff's patents including the patents here in suit, to Nash-Kelvinator

Corporation, United Aircraft Corporation and Kellett Aircraft Corporation. These wartime licenses were at the rate of .85 percent of the contract price for rotary-wing aircraft made for and sold to the Government and these licenses expired on March 2, 1946, i.e., 6 months after the cessation of hostilities.

Each and every license granted by plaintiff during the period 1930-46 comprehended all of plaintiff's patented property including but not limited to the patents remaining in suit, and each specified that royalties were to be paid if *any* of the licensed property was used in the licensed aircraft.

In 1946 after the cessation of hostilities, the Government declined plaintiff's offer of a regular license apparently because the Government intended to require patent indemnity clauses in procurement contracts with its helicopter manufacturers.

Defendant urges that plaintiff did not have in effect an established royalty rate since plaintiff later granted United Aircraft Corporation a license in 1947 containing a separate royalty for each patent licensed including the patents in suit, with a 2 percent ceiling, and still later granted United a paid-up license in 1949. These *negotiated* licenses as well as certain license communications between plaintiff and Piasecki, Bell and McDonnell, as a matter of law, are not material in this proceeding because they all took place *after* the date on which infringement by the defendant began. Defendant's suggestion that certain of plaintiff's licenses are "tantamount to misuse" is without merit. The mere accumulation of patents is not in

and of itself illegal. The payment of royalties according to a percentage of the sale price is not unreasonable. What plaintiff's licensees obtained was the privilege of using any or all of plaintiff's patents and developments if and as they desired to use them. Plaintiff's licensing policy did not constitute misuse. *Automatic Radio Co.* v. *Hazeltine*, 339 U.S. 827 (1950). This court has already determined in its decision of October 13, 1967, that defendant is liable to the plaintiff.

The plaintiff's established royalty rates immediately prior to the commencement of infringement justify the method utilized by plaintiff in finding that reasonable royalty compensation totals $24,570,525, which sum is about 3.85 percent of the total dollar cost of the infringing procurement. It is noted that compensation at such average rate is below compensation recommended as reasonable in the trial judge's report filed September 4, 1975 in *Tektronix, Inc.* v. *United States*, No. 79-61, where the recommended rate is 27.5 percent.

Defendant asserts that the royalty bases selected by plaintiff are "outrageous, incredible, totally inaccurate, excessive, vastly inflated," etc. The evidence fails to support such blatant assertions either as facts or conclusions. The royalty bases selected by plaintiff's expert witnesses for representative patent claims are found to be reasonable and based on the best evidence available. The base used for each claim in suit is limited to those portions of the helicopter mechanisms that are encompassed by specific patent claim

recital. The provisions of plaintiff's established per-patent royalty are satisfied by the embodiment of the invention recited in any one claim of a patent in the defendant's constructively licensed helicopters or spare parts therefor. Other infringed claims of the respective patents either do not involve other components or in some instances would not afford as broad a royalty base as the representative claims selected. A patent is infringed even if only one claim of the patent is infringed. *Marconi, supra*, 99 Ct. Cl. at 62-71, 53 USPQ at 257-61.

Defendant proposes royalty rates that produce royalty compensation which is about 1/48th of that resulting from the application of plaintiff's established royalty rates. Defendant's witness on royalty rates proposed initial royalty rates of 1 percent or less for most of the patents in suit and scaled these rates downward because of alleged Government contributions to the development of a practical military helicopter and alleged Government contribution to the creation of a market for helicopters. The record shows that said witness lacked both the qualifications and the information necessary for a technological evaluation of the patents in suit. There is no evidence of record to support either the royalty base or the royalty rates proposed by defendant's witness. He testified that he had not negotiated any licenses regarding rotary-wing aircraft and that "reasonableness" of royalties was not a factor which he considered. There is no competent evidence of record to support the royalty rates proposed by the defendant.

The computation of the royalty compensation by application of plaintiff's established per-patent royalty rates to the royalty bases is set forth in detail in the accompanying findings. The average percentage is somewhat less than the alternative 5 percent rate specified in many of plaintiff's licenses. Defendant has urged that plaintiff's determination of the estimated cost of parts and their installation is based on early cost proposals and makes no allowance for any changes in actual cost experience. However, defendant admits that no firm evidence of installed costs is available. After considering all the circumstances involved in this litigation, it is concluded that royalty compensation in the amount of $24,570,525 is reasonable and justified.

Contribution

Defendant's requested findings of fact assert that the order of magnitude of the contribution of each of the patents in suit to the rotary-wing aircraft industry is "zero, minimal, or negative." Defendant bases such requested findings primarily on a *rehash* of the several patent application files and the prior patents cited therein. The court has already considered in detail the patent application files and the many prior patents cited by defendant and has found specific patent claims valid and infringed by one or more of seven helicopter types procured by defendant. The weight of the evidence previously considered by the court shows that such prior art items are either totally irrelevant to the subject matter of the patent

claims in suit or are fundamentally deficient, impractical and/or inoperative. There is no credible evidence that the helicopters made for or used by the defendant might have been more satisfactory if plaintiff's patented inventions had not been incorporated therein. Defendant's contention that royalty compensation should be computed at rates of less than 1 percent based on its contention that plaintiff's contributions to the industry were minimal, is without merit.

Spare Parts

The Firestone license defines "Licensed Aircraft" as not only "aircraft with sustaining rotors . . . embodying or manufactured or operating according to any or all of the inventions covered by Patents of Autogiro," but also "parts and assemblies of parts embodying or manufactured or operating according to any or all of said inventions for use in such aircraft . . . ." With regard to spare-part rotor hub assemblies for the HUP-1 helicopter, in accord with plaintiff's established per-patent royalty the royalty base for claim 14 of the '457 patent is each spare-part HUP-1 rotor hub assembly, and the royalty therefor would be 10 percent of its retail sale value. However, spare-part rotor hub assemblies which embody or which are manufactured according to the subject matter of claim 14 of the '457 patent are, *per se*, Licensed Aircraft, i.e., parts "for use in" the Government's infringing helicopters for which such spare-part hub assemblies are procured; and in accord

with the 5 percent royalty ceiling provision of plaintiff's established royalty for Licensed Aircraft, the total royalty for such spare-part hub assemblies may not exceed 5 percent of their retail sale value. The foregoing comments are equally applicable in respect to the effective 5 percent royalty for spare-part rotor hub assemblies for the HRP-1 and HRP-2 helicopters.

Plaintiff has limited its requests for royalties on all spare-part Vertol, Kaman, and Gyrodyne rotor blades which are within the scope of this accounting, to the subject matter of claim 60 of the '583 patent as held to be infringed by either the HUP-1 or the H-21B rotor blades, and that subject matter is also the basis for plaintiff's requests for royalties on the rotor blades as installed on the Gyrodyne DSNs. Defendant's contentions concerning claim 65 of the '583 patent and the various features thereof, with respect to recovery of royalties for spare-part rotor blades are completely moot at this point. The various features of claim 65, none of which are included in claim 60, and to which defendant has referred, are totally immaterial to the determination of plaintiff's right to recover royalties for spare-part rotor blades with respect to the subject matter of claim 60 as held to be infringed. Defendant's contention that plaintiff is not entitled to royalties for spare-part hub assemblies and rotor blades is without substance.

Delay Compensation

The "reasonable and entire compensation" due plaintiff under 28 U.S.C. § 1498 includes not only

reasonable royalties but also an appropriate amount which compensates plaintiff for defendant's delay in payment of those royalties. This additional amount has been referred to as "delay compensation." As stated by Justice Holmes in *Waite* v. *United States*, 282 U.S. 508, 509 (1931), the "reasonable and entire compensation" provided by the statute "was intended to accomplish complete justice as between plaintiff and the United States." The amount due as delay compensation is determined by multiplying the annually accrued royalties by an appropriate annual percentage rate. The periods of time covered by the computation of that additional amount extend from the dates of defendant's procurements until the date of payment of the court's judgment herein.

The amounts heretofore awarded as delay compensation by this court in eminent domain cases, including cases under 28 U.S.C. § 1498, have been computed at various rates. From 1927-37 the rate was 6 percent. During 1937-44 the rate was 5 percent and after 1944 the rate of 4 percent has been used. In the court's decisions in those earlier cases there is little or no discussion of the theory or basis upon which a particular percentage rate of delay compensation was chosen.

The rates used by the court in the past to calculate delay compensation have generally followed trends of changes in investment yield rates during the 1920's, 1930's and 1940's. The rate to be used during the delay compensation periods involved in this suit, i.e., from 1946 until payment of the court's judg-

ment herein, should also follow the changes in yield rates. These may be determined by reference to an established, well recognized, widely used and authoritative index of investment yields. Plaintiff urges that the court use for this purpose Moody's Composite Index of Yields on Long Term Corporate Bonds.

Defendant has urged that the court should establish, as the rate of delay compensation due plaintiff, an amount equal to the average annual yields on a series of hypothetical long term Government bonds which defendant constructs subjectively. Both plaintiff and defendant thus urge that a varying rate of delay compensation should be established by the court in this case. However, defendant's position is that the various rates of delay compensation should be established without reference to the court's own varying rates of delay compensation in prior periods, and defendant ignores any relationship between the rates it now proposes and the rates of delay compensation which this court has used just prior to the beginning of the accounting period in this case. Both parties recognize that the 4 percent annual rate of delay compensation which was applied by this court after 1944 should not arbitrarily be continued in this case. Both parties agree that the court should establish a varying annual percentage rate for delay compensation which is appropriate under the facts and circumstances in this case. The parties disagree on the principles which determine an appropriate varying rate, and on the varying rate itself. The amount due as delay compensation in this case involves a determina-

tion by this court of an appropriate base or yardstick by which to measure and thereby establish the award for delay compensation. The method of determining delay compensation should be justified by the evidence, and the rate should be responsive to the ends of justice. The ultimate test, of course, is that plaintiff must receive just compensation.

Examination of evidence of record relating to the trends indicated by Moody's Composite Index of Yields on Long Term Corporate Bonds leads to the conclusion that in view of all the circumstances involved in this prolonged litigation, it is reasonable to divide the delay period into several periods and to utilize a rate of 4 percent for the period 1947-55, a rate of $4\frac{1}{2}$ percent for 1956-60, a rate of $4\frac{3}{4}$ percent for 1961-65, a rate of $6\frac{1}{2}$ percent for the period 1966-70, and a rate of $7\frac{1}{2}$ percent for the period 1971-75. It is noted that Pub. L. No. 93-625, § 7, 88 Stat. 2108, signed by the President on January 3, 1975, now provides for the payment of interest by the Government at the rate of 9 percent per annum on overpayments of federal internal revenue taxes, effective July 1, 1975. Said law also provides for annual adjustment of the interest rate when the prime rate charged by banks during September is at least a full point more or less than the Government interest rate then in effect. The Congress thus gives statutory sanction to the use of a commercial rate index or indicator in determining the rate of interest to be paid by the Government.

Plaintiff has urged that the delay compensation should run from the mid-point of each year during the accounting period since the actual procurement dates for the many aircraft involved in this case are scattered throughout each calendar year. In *Calhoun, supra,* the court selected August 15, 1954, mid-point of the period from April 29, 1954 to November 21, 1956, for the start of delay compensation. In *Amerace Esna Corp.* v. *United States,* 172 USPQ 305 (1972), the trial judge selected March 8, 1955, mid-point of the period September 8, 1952 to September 8, 1958, for start of delay damages. The court adopted that computation in a *per curiam* opinion reported at 199 Ct. Cl. 175, 462 F.2d 1377, 174 USPQ 517 (1972). In *Breese Burners, Inc.* v. *United States,* 140 Ct. Cl. 9, 115 USPQ 179 (1957), the court decided that interest would run from December 31 of each year involved until date of payment. In *Badowski* v. *United States,* 150 Ct. Cl. 482, 278 F.2d 934, 125 USPQ 656 (1960), the court held that reasonable and entire compensation should include interest to date of payment to compensate plaintiff for the delay in payment. In *van Veen* v. *United States,* 181 Ct. Cl. 884, 386 F.2d 462, 156 USPQ 403 (1967), the court held that plaintiff was entitled to recover interest as part of just compensation from January 1, 1967 to the date of payment. Defendant objects to the allowance of interest from the mid-point of each calendar year and asserts that the acceptance date of each infringing aircraft is available. Plaintiff's license agreement with Firestone in 1946 provided for the payment of

royalties semi-annually within 45 days after June 30 and December 31 of each year on all licensed aircraft sold, leased or put into use during the preceding 6-month period. In view of all the circumstances involved in this litigation, it is concluded that reasonable delay compensation herein should be computed on a calendar year basis with interest starting on January 1 of each year on the royalties accrued during the preceding calendar year. Delay compensation is part of reasonable and entire compensation and is not considered as interest *per se.*

Defendant's debtor theory that delay compensation should be based on the yields on a series of hypothetical Government bonds was recently rejected by one of the court's trial judges in *Arcata National Corp.* v. *United States,* No. 771-71, report filed July 25, 1974. The trial judge in that case concluded that delay compensation should be paid for the period involved at the rate of 6.6 percent simple annual interest, a rate based on his reference to corporate AAA bond interest rates and prime interest rates. A stipulated settlement based thereon was confirmed by order of the court on January 3, 1975, *Arcata National Corp.* v. *United States,* 206 Ct. Cl. 819. The court's order entered judgment for Arcata in the sum of $35,382,251.50 together with simple interest thereon at the rate of 6.6 percent per annum until date of payment.

After considering all the circumstances involved in the present protracted litigation it is concluded that delay compensation computed at the varying rates for varying periods set out above, amount to $26,355,753

through December 31, 1975, is both reasonable and justified. The determination of a proper amount of delay compensation is a judicial function. The discharge of that function requires the exercise of judgment.

Plaintiff has presented evidence of the expenditure of $1,669,658 during the period 1951-73 for attorneys' fees, witness fees and other expenses allocable to the 11 patents which the court has held valid and infringed. This incomplete total is about 3.28 percent of the recommended royalty and delay compensation combined. In a recent case involving the taking of flowage easements over farmlands, this court allowed attorneys' fees at 25 percent of the total compensation. *King et al.* v. *United States*, 205 Ct. Cl. 512, 504 F.2d 1138 (1974). In the present litigation, plaintiff has not included attorneys' fees in his requested reasonable and entire compensation. Therefore, no recommendation with respect to attorneys' fees, witness fees and expenses is made.

Experimental Use

The order of the court filed July 12, 1973, *Autogiro Company of America* v. *United States*, 202 Ct. Cl. 1105, permitted the defendant to make "offers of proof" with respect to the manufacture and use of accused helicopters by the defendant "for testing and experimental purposes." At the accounting trial, defendant presented such offers of proof through the testimony of 13 witnesses and 147 documentary exhibits pertaining to about 93 of the 2,237 rotary-wing aircraft involved in this litigation. Defendant has requested 153 detailed findings of fact relative to experimental use, all based on its offers of proof. No findings of fact are or need be made on the testing and experimental use of accused aircraft. It may be noted, however, that at least one of defendant's witnesses testified that the testing of helicopters "was use of those helicopters for the Government."

Defendant contends that under this court's decisions in *Ordnance Engineering Corp.* v. *United States*, 84 Ct. Cl. 1 (1936), *cert. denied*, 302 U.S. 708 (1937) and 96 Ct. Cl. 278 (1942), and *Chesterfield* v. *United States*, 141 Ct. Cl. 838, 159 F.Supp. 371 (1958), devices of an infringing construction which were used for experimental or test purposes are to be excluded from the computation of compensation under 28 U.S.C. § 1498. That statute provides:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

Defendant's interpretation and attempted expansion of the court's decisions in the two *Ordnance* cases *supra*, pertaining to what those decisions refer to as "ballistic shell" and "experimental shell," are

erroneous; and those decisions are inapplicable to the present case. Although in *Ordnance* the court did exclude from the accounting the so-called "experimental shell," there is no discussion in the opinion in either of those cases as to the rationale for their exclusion. The only statement in the *Ordnance* decisions on "experimental" is one sentence: "Experimental shell are shell built for experimental purposes." There is no elucidation as to the determinants of "experimental purposes." Thus, the *Ordnance* decisions provide no rationale for, or guidance for determining the propriety of, excluding from an accounting so-called "experimental" devices except that they are devices "*Built for* experimental purposes." In the present case there is no evidence in defendant's offer of proof that any of the helicopters to which defendant's "experimental use" contentions pertain were built solely for experimental purposes. For that reason alone, the *Ordnance* decisions are inapposite.

Defendant's reliance on the court's opinion in *Chesterfield, supra,* is likewise without merit. The court's statement in its opinion there that experimental use does not infringe constituted pure *obiter dictum.* The court's opinion specifically stated:

> Where the court finds as a fact that the patent claims in suit are clearly invalid . . . it may not be necessary to consider the issue of infringement.

The court's reference to experimental use was clearly unnecessary to the disposition reached in *Chesterfield.*

It is also noted that in *Chesterfield* the defendant procured by purchase, not by manufacture by or for the Government, certain alloys which had been developed and used for supercharged buckets and blades. In *Chesterfield,* the claim arose from defendant's *use* of purchased alloys. In the present case, the infringing aircraft were clearly *manufactured* for the defendant.

Plaintiff has excluded from its present claim static test mechanisms manufactured for defendant. Numerous research and development contracts were entered into by the defendant and various manufacturers for the design, development and manufacture of experimental helicopters and none of those specific helicopters are the subject of this litigation.

Defendant urges the court to exclude from compensation any aircraft used by the defendant for testing, evaluational, demonstrational or experimental purposes. Use for such purposes is use by or for the Government and is compensable. Obviously every new helicopter must be tested for lifting ability, for the effect of vibration on installed equipment, flight speed and range, engine efficiency, and numerous other factors. Tests, demonstrations, and experiments of such nature are intended uses of the infringing aircraft manufactured for the defendant and are in keeping with the legitimate business of the using agency. Experimental use is not a defense in the present litigation.

Defendant has also referred to the experimental use portion of Trial Judge Cooper's opinion and report to the court in *Douglas* v. *United States,* 181

USPQ 170 (1974). The court's opinion in that litigation, 206 Ct. Cl. 96, 510 F.2d 364, 184 USPQ 613 (1975), *cert. denied*, October 6, 1975, did not rule on experimental use since the patent claim was held to be invalid. While the trial judge's discussion of the experimental use rule in various courts is not the law of the case in *Douglas*, it is a well reasoned and historical analysis. In *Douglas*, the testing of the Kestrel aircraft conducted by the Army, Navy and Air Force, to evaluate the aircraft was found by the trial judge to be use of the aircraft which served a valuable governmental purpose.

Royalty Adjustment Compensation

Plaintiff seeks royalty adjustment compensation in the amount of over $15 million to compensate for the gradual decrease in the purchasing power of the dollar between 1947 and 1973. No cases are cited which would require the defendant to assume plaintiff's risk of any inflation in eminent domain actions. There is no express or implied contract that the risk of inflation was to be assumed by the United States. There was no royalty escalation clause in plaintiff's license agreements. Plaintiff is not entitled to an adjustment in the size of compensation by reason of inflation occurring subsequent to the date of infringement. Plaintiff, like everyone else, must bear the risk of change in the value of its property by reason of inflation or deflation. The inclusion of royalty adjustment compensation for inflation is a part of rea-

sonable and entire compensation would place plaintiff in a much better position than those who can do nothing about inflation. The Government may do many things, but has not yet reached the point of compensating one citizen or all citizens who have suffered losses from the effects of inflation.

APPENDIX B

IN THE UNITED STATES COURT OF CLAIMS

No. 50328

(Decided December 15, 1976)

STEPHEN PITCAIRN, AGENT (SUBSTITUTED FOR AUTOGIRO COMPANY OF AMERICA)

v.

THE UNITED STATES

J. Edward Shinn, attorney of record for plaintiff, *John J. McAleese, Jr.*, of counsel.

B. Frederick Buchan, Jr. and *Thomas J. Scott*, with who was *Assistant Attorney General Rex E. Lee*, for defendant.

Before COWEN, *Chief Judge*, DAVIS, SKELTON, NICHOLS, KASHIWA, KUNZIG, and BENNETT, *Judges*.

OPINION

PER CURIAM: This case comes before the court on plaintiff's and defendant's exceptions to the recommended opinion, findings of fact and conclusion of

law, submitted by Judge Donald E. Lane, Associate Judge, United States Court of Customs and Patent Appeals, sitting by designation as Trial Judge in this case, pursuant to 28 U.S.C. § 293(a) and § 2505, in accordance with United States Court of Claims Rule 134(h). In an earlier decision, *Autogiro Company of America* v. *United States*, 181 Ct. Cl. 55, 384 F. 2d 391, 155 USPQ 697 (1967), *rehearing denied*, 184 Ct. Cl. 801 (1968), the court held that some 59 patent claims in 11 patents owned by plaintiff were valid and specific claims were infringed by seven different models of helicopters manufactured for defendant under contracts by Vertol, Hiller, Bell, Kaman and McCulloch. The case is before the court now on (1) the similarity or non-similarity of some 39 models of rotary-wing aircraft to any of the representative models which the court has already held to be infringing, and (2) computation of the reasonable and entire compensation which plaintiff is entitled to recover under 28 U.S.C. § 1498.[1]

The case has been submitted to the court on the briefs and oral arguments of counsel. Upon consideration thereof, since the court agrees with several portions of the trial judge's recommended decision, it adopts (with minor modifications) Part I, *Similarity;* Part III, *Contribution;* Part IV, *Spare Parts;* Part V, *Delay Compensation;* and Part VI, *Experimental Use.* The court also adopts with modification the trial

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[1] We shall refer to the Autogiro Company as plaintiff, although Stephen Pitcairn, Agent, has been substituted.

judge's findings of fact, except with respect to royalty compensation, and has made its own findings on that subject.[2] We have deleted those parts of the trial judge's recommended decision entitled *Royalty Compensation*, Part II, and *Royalty Adjustment Compensation*, Part VII, and have substituted our own Part II, *Royalty Compensation*, in the modified trial judge's opinion which follows. We have also added our own discussion of *Delay Compensation* to Part V, *infra*, in supplementation of the trial judge's consideration of that subject. The conclusion of law has been changed to reflect our different view of *Royalty Compensation*.

The opinion and conclusion of law of the trial judge, as modified and supplemented by the court, follow:

In *Autogiro Company of America* v. *United States*, 181 Ct. Cl. 55, 384 F. 2d 391, 155 USPQ 697 (1967), *rehearing denied*, 184 Ct. Cl. 801 (1968), some 59 patent claims in 11 patents owned by plaintiff were held to be valid and specific patent claims were held to be infringed by seven different models of helicopters manufactured under contracts for defendant by Vertol, Hiller, Bell, Kaman and McCulloch. In 1973, the Autogiro Company of America was liquidated, and all of its assets, including its claims against the United States, one of which is the subject matter of this action, were transferred to its stockholders who appointed Stephen Pitcairn as their Agent. Pursuant to motion filed January 30, 1974, unopposed by de-

[2] Though the findings, as modified, are adopted by the court, they are not printed with this opinion because they are so voluminous.

fendant, Stephen Pitcairn, Agent, was substituted for Autogiro Company of America by the court's order filed February 12, 1974.

The parties to this suit agreed that during the accounting phase, both parties would have the right to present evidence as to similarity or non-similarity between any model of rotary-wing aircraft or part thereof on which no proofs of infringement were offered at the original trial and those models of rotary-wing aircraft on which proofs were offered and which the court in its decision noted above found to infringe any of the patents remaining in suit. The parties have presented such proofs and have presented proofs on various methods of computing the reasonable and entire compensation due plaintiff.

The main issues in the current phase of this litigation are (1) the similarity or non-similarity of some 39 models of rotary-wing aircraft to any of the seven models which the court has already held to infringe one or more valid patent claims, and (2) how to compute the amount of the reasonable and entire compensation which plaintiff is to recover under 28 U.S.C. § 1498, for defendant's unauthorized use of plaintiff's inventions. After over 20 years of litigation, including some 62 trial sessions for the testimony of 57 witnesses on the two present issues, the parties are still poles apart on the end result. Examination of the voluminous record shows that there is little the parties can agree upon except that defendant spent over $639 million, engine costs excluded, in the recovery period, 1946-64, for over 2,200 rotary-wing aircraft.

Defendant now contends that the maximum amount of compensation which this court should allow is $532,279. This represents compensation at a rate of less than 1%, *i.e.*, 0.0832%, on the total procurement cost of $639,257,969. Defendant contends that delay compensation (if any) should be computed at the rates at which the defendant might have borrowed money by hypothetical long term Government bonds, the estimated rates varying from 2.4% to 4.6% per annum, the average being 3.33% for the period 1947-75.

Plaintiff contends that "reasonable and entire compensation" which this court should adopt should include royalties at established rates amounting to $24,570,525, plus delay compensation amounting to $27,851,192 through 1973, plus upward adjustment by $15,034,439 of the royalties to compensate for inflation, plus additional delay compensation for the period 1974 to date of payment, a total of some $67,500,000 plus. The amount sought by plaintiff represents royalty compensation at a rate of 3.85% of the total procurement cost, and delay compensation at rates varying from 4% to 9% per annum, the average being 6.07% for the period 1947-73. The patents, patent claims, and models of rotary-wing aircraft now involved in this litigation are identified in the following table

Patent Number (and dates of Issue/Expiration)	*Claims*	*Adjudicated infringing model relative to which similarity proofs were presented*	*Similar models*
1,948,457 (2-20-34/2-19-51)	9, 12, 13, 14 & 18	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-1 & HRP-2.
1,990,291 (2-5-35/2-4-52)	4	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-1 & HRP-2.
Do	4 & 6	Bell HTL-4	Bell HTL-1, HTL-2, HTL-3, HTL-5, YH-12B, YH-13, YH-13A, H-13B, H-13D & H-13E.
Do	4 & 6	Hiller H-23A	Hiller HTE-1.
1,994,465 (3-19-35/3-18-52)	1, 5, 6, 7, 10 & 13	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-1, HRP-2 & HUP-2.
2,151,215 (2-21-39/3-20-56)	1, 2, 3, 5, 6, 8 & 9	Kaman HOK-1	Kaman HTK-1.
Do	1, 5, 6 & 9	Kaman HOK-1	Bell HSL-1.
2,321,572 (6-15-43/6-14-60)	8, 9, 28 & 29	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A & H-43B.
2,339,836 (1-25-44/1-24-61)	1	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A & H-43B.
2,344,966 (3-28-44/3-27-61)	1	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A & H-43B.
2,344,967 (3-28-44/3-27-61)	1, 2, 3, 4, 13 & 18	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A & H-43B.
2,380,582 (7-31-45/7-30-62)	6-9, 12, 13, 16 & 17	Bell HSL-1	None.
Do	1-5, 7-9, 12, 13, 16-21	McCulloch MC-4C	McCulloch YH-30.
Do	1-5, 7-9, 12, 13, 16-21	Vertol/Piasecki HUP-1	Vertol/Piasecki HUP-2 & HUP-3 (H-25A).
2,380,582 (7-31-45/7-30-62)	1, 2, 3, 5, 7, 8, 9, 12, 13, 16, 19, 20 & 21.	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-1.
Do	1-5, 7, 8, 12, 16, 18, 19, 20 & 21.	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-2.
Do	1, 3, 4, 5, 16, 17, 18, 19 & 20.	Vertol/Piasecki HUP-1	Vertol/Piasecki YHC-1B (YHC-47A), HC-1B (CH-47A).
Do	1-5, 7-9, 12, 13, 16-21	Vertol/Piasecki H-21B	Vertol/Piasecki YH-21, H-21A, H-21C & H-21 (V-44).
Do	1, 3, 4, 5, 16, 17, 18, 19 & 20.	Vertol/Piasecki H-21B	Vertol/Piasecki YHC-1A, HRB-1 (CH-46A).
Do	1-5, 19 & 20	Vertol/Piasecki H-21B	Bell YH-40, HU-1, HU-1A, HU-1B & YHU-1D.
Do	1-5, 19 & 20	Vertol/Piasecki H-21B	Cessna YH-41 & CH-1C.
Do	1-5, 16, 18, 19 & 20	Vertol/Piasecki H-21B	Gyrodyne DSN-1 & DSN-3.
Do	1, 2, 3 & 5	Vertol/Piasecki H-21B	Kaman HU2K-1.

Patent number (and dates of Issue/Expiration)	Claims	Adjudicated infringing model relative to which similarity proofs were presented	Similar models
2,380,582 (7-31-45/7-30-62)	56, 59, 60, 64 & 65	Vertol/Piasecki HUP-1	Vertol/Piasecki HUP-2 & HUP-3 (H-25A) & HRP-1.
Do	56, 60, 64 & 65	Vertol/Piasecki HUP-1	Vertol/Piasecki HRP-2.
Do	56, 59, 60, 64 & 65	Vertol/Piasecki H-21B	Vertol/Piasecki YH-21, H-21A, H-21C, H-21 (V-44A), YHC-1A, HRB-1 (CH-46A), YHC-1B (YHC-47A) & HC-1B (CH-47A).
Do	59 & 60	Vertol/Piasecki H-21B	Kaman HOK-1, HUK-1, H-43A & H-43B.
Do	60	Vertol/Piasecki H-21B	Gyrodyne DSN-1 & DSN-3.
Do	60	Vertol/Piasecki H-21B	Cessna YH-41 & CH-1C.
Do	62	McCulloch MC-4C	McCulloch YH-30, Cessna YH-41 & CH-1C.
Do	62	McCulloch MC-4C	Kaman HU2K-1.
2,421,364 (5-27-47/5-26-64)	33, 44 & 45	Kaman HOK-1	Kaman HTK-1, HUK-1, H-43A, H-43B & HH-43B.

I. *Similarity*

The order of the trial judge filed April 17, 1969 provided:

> (1) In the proceedings herein under Rule 47 (c) (2), neither party shall challenge the determinations of infringement, the validity, or the scope as construed by the court, of any claim found by the court to be valid and infringed in *Autogiro Company of America* v. *United States*, 181 Ct. Cl. 55, 384 F. 2d 391 (1967), and
>
> (2) The decision whether "other specified types or models of aircraft or parts thereof, procured by defendant" are infringing aircraft or parts for which defendant is liable shall be based on proofs of "similarity or non-similarity" of construction and mode of operation between (a) such other aircraft or parts and (b) those found by the court to infringe. *Marconi Wireless Telegraph Co.* v. *United States*, 99 Ct. Cl. 1 (1942); *Fauber* v. *United States*, 112 Ct. Cl. 302 (1948).

Neither party requested review or modification of that order.

The evidence relating to the similarity or the identity between adjudicated infringing models and the additional assertedly similar models consisted of comparison of the pertinent structures and the operation of the adjudicated infringing helicopters with the corresponding structure and the operation of the assertedly similar models. That proof-procedure is in accord with the principles enunciated by this court in *Marconi Wireless Telegraph Co.* v. *United States*, 99

Ct. Cl. 1, 53 USPQ 246 (1942), *modified,* 320 U.S. 1, *order on remand,* 100 Ct. Cl. 566 (1943).

Plaintiff's similarity proofs could have been limited to the subject matter of but a single claim of each of the patents in suit found valid and found to be infringed by the adjudicated models, thereby establishing the required proof of similarity in reference to the subject matter. The plaintiff's proofs were not so limited. The patent claims in suit are of varying scope and it is not required that "similarity" be established as to a given structure in respect to *all* claims of varying scope as found to be infringed. By the same token, the scope of the royalty base for the various patent claims in suit varies in accordance with the scope of the claimed subject matter. In view of the unchallenged and uncontradicted evidence establishing similarity, and in most instances the identity, as to the assertedy similar structures, and in view of the paucity of any credible evidence of non-similarity, plaintiff's assertions on similarity are found to be fully supported by the record.

II. *Royalty Compensation* [3]

The use or manufacture by or for the Government of a device or machine embodying any invention protected by a United States patent, is a taking of prop-

[3] This part has been substituted for the similarly titled portion of Judge Lane's opinion. Only the Chief Judge, Judge Davis and Judge Skelton join in the discussion contained in this part II of the opinion. However, Judges Nichols and Kunzig concur in the result of this part of the opinion.

erty by the Government under its power of eminent domain. The nature of the property thus taken is a license in the patent, the claimed invention of which is used or manufactured by or for the Government, and such license continues throughout the life of the patent, or the period of the infringing procurement, whichever is shorter.

As this court recently stated in *Calhoun* v. *United States,* 197 Ct. Cl. 41, 51, 453 F.2d 1385, 1391, 172 USPQ 438, 443 (1972):

> * * * The theory underlying a patent suit in this court pursuant to that section [1498] is that the Government, when a patented device or invention is made or used by or for the United States, *ipso facto* takes by eminent domain a compulsory compensable license in the patent; the patentee obtains his Fifth Amendment just compensation for that taking through his action here under § 1498. * * *

See, Waite v. *United States,* 282 U.S. 508 (1931); *Crozier* v. *Krupp,* 244 U.S. 290 (1912); *Irving Air Chute Co.* v. *United States,* 117 Ct. Cl. 799, 93 F.Supp. 633, 87 USPQ 246 (1950).

The first step in determining reasonable compensation is to ascertain when the "taking" occurred. We are guided in this by our prior decision in *Irving Air Chute Co., supra.* The Government there urged that if it manufactured or used any devices covered by any of plaintiff's patents more than six years before the petition was filed, the cause of action should be barred by the statute of limitations. The Govern-

ment argued that by using or manufacturing a patented article, it acquired a license to continue to manufacture or use the article for the duration of the patent, that the taking occurred once and for all with this first unauthorized use. Plaintiff urged that it should be able to recover for articles manufactured within six years of the date of the filing of its petition, even as to patents covering devices manufactured by or for the Government more than six years before the petition was filed. We explained that "The statute, 28 U.S.C. § 1498 * * * does not tell us, expressly, whether only one cause of action, or several will accrue from a succession, perhaps with long intervals between, of manufactures or uses by the Government." 117 Ct. Cl. at 804, 93 F.Supp. at 636, 87 USPQ at 248. Since it was not possible to ascertain the scope and duration of the interest taken at the time of the first unauthorized use, we held in *Irving Air Chute* that the cause of action did not accrue at the first taking for all future acquisition by the Government. *See also, Coakwell* v. *United States,* 178 Ct. Cl. 654, 372 F.2d 508, 153 USPQ 307 (1967); *Regent Jack Mfg. Co.* v. *United States,* 167 Ct. Cl. 815, 337 F.2d 649, 143 USPQ 136 (1964); *Gage* v. *United States,* 122 Ct. Cl. 160, 103 F.Supp. 1022, 93 USPQ 103, *cert. denied,* 344 U.S. 829 (1952). So too in the instant case.

The trial judge refused to consider transactions occurring after November 8, 1946, in establishing the reasonable royalty because he deemed that they were not material, as a matter of law, since they took place

after the date of the first infringement by defendant. The trial judge determined that the defendant's first unauthorized use of plaintiff's patents, on or about November 8, 1946, constituted a taking, all at once, of plaintiff's entire property. This analysis runs contrary to *Irving Air Chute,* which we think was correctly decided. The takings occurred whenever the Government procured or used a device covered by any of plaintiff's patents without a license. Our analysis accords, not only with *Irving Air Chute* but also with the terms of 28 U.S.C. 1498, which provides in part: "*Whenever* an invention described in and covered by a patent of the United States is *used or manufactured* by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for *such* use and manufacture." (Emphasis added.)

The recovery period runs from November 1946, when the Government first infringed one of the patents in suit, until late in May 1964, the expiration date of the last patent involved. It is not easy to fix upon appropriate royalties for the takings during that long time-span, but we think it can be done with fairness to both parties.

The evidence shows that Autogiro received patent royalties under some nine licenses during the period (1932-1946) before the years not at issue. Some were

at a 5% rate, some at 7% and some at an .85% nominal wartime rate.[4]

We put aside the wartime rate, both because it preceded the years with which we are here concerned, and also because the particular circumstances of the wartime procurement of patent licenses make it very difficult to equate the very low-level wartime rate with

[4] In 1930, plaintiff licensed Kellett Aircraft Corp. at the rate of 6% of retail sale price of the complete aircraft. This rate was changed to 5% during 1932-45. The Government procured rotary-wing aircraft from Kellett in the period prior to World War II and approved payment of the 5% royalty thereon to Autogiro. Pitcairn Autogiro Company was licensed during 1936-41 at the 5% rate. Pitcairn-Larsen Autogiro Company was licensed in 1941 at the rate of 5% of the retail sale price of the complete aircraft or at 7% of the sale price if sold without engine or standard equipment. A.G.A. Aviation Corporation was licensed 1941-43 at the same 5% and 7% rates. The Firestone Tire and Rubber Company was licensed by the plaintiff in 1943-46 at the same 5% and 7% rate subject to a sliding scale. Firestone was again licensed about March 12, 1946, as of September 1, 1944, at the rate of 10% of the retail sale value of the patent components, *i.e.*, a per patent royalty, but with a royalty ceiling of 5% of the total retail sale value of the complete aircraft and spare parts, and subject to a sliding scale which reduced the rate as royalties exceeded stated amounts. The sliding scale provided that for the first $50,000 of royalties, the sum of the per patent royalties applicable to each such complete helicopter and spare parts therefor but not to exceed 5% of the total sale value; for the next $45,000 of royalties 9/10s of the initial rate; for the next $40,000 of royalties 8/10s of the initial rate. The license taken by Firestone in March of 1946 was offered at the same rates to other manufacturers of rotary-wing aircraft.

fair market value for the post-war period or with an established post-war license policy.[5]

Likewise, we reject the pre-war rates as proper guidelines for the post-war period because, in our view, plaintiff itself established, roughly contemporaneous with the beginning of the recovery period, a new post-war rate, for general use, which it deemed satisfactory to it.[6] Effective as of January 1, 1947,

[5] In 1943, the plaintiff unilaterally selected and proffered to the Government and to industry a nominal wartime royalty rate of .85% of the contract price of the aircraft. Since the Royalty Adjustment Act of 1942 (Act), 56 Stat. 1013, later codified as 35 U.S.C. §§ 89-96 (1946 ed.), was in effect at that time, the Government could have reduced the rates by order if plaintiff had not been cooperative. Pursuant to that Act, any department or agency which ordered the manufacture or use of an invention could fix royalty rates which were deemed fair and just, taking into account the conditions of wartime production, if it believed that the rates provided by existing licensing agreements were unreasonable or excessive. The licensor's sole remedy was a suit to recover the difference between the royalties fixed and specified by the agency and the royalties found by the court to be fair and just compensation. Act §§ 1-2. Further, the head of any Government agency was authorized to enter into agreements and settlements in compromise of any claim by any inventor or licensor. Act § 3. Plaintiff granted wartime licenses, which covered all of plaintiff's patents including the patents here in suit, to Nash-Kelvinator Corporation, United Aircraft Corporation and Kellett Aircraft Corporation. These wartime licenses were at the rate of .85% of the contract price for rotary-wing aircraft made for and sold to the Government and these licenses expired on March 2, 1946, *i.e.*, 6 months after the cessation of hostilities.

[6] We include in the war and pre-war category the Firestone agreement, made in March 1946 as of September 1944 (*see* note 4, *supra*), since very early in the recovery period that

Autogiro entered into an agreement with United Aircraft Corporation for a royalty of $500 an aircraft for 1946-1948, with the $500 ceiling to change to 2% of the air-frame price on and after January 1, 1949.[7] After this United agreement was executed, the plaintiff proposed similar licenses to other major manufacturers of helicopters, in effect announcing its post-war rate to be 2%. These companies all refused to take licenses but the significant fact is that plaintiff made the offer and made it widely. In 1949, after some months of negotiation triggered by United's disinclination to let the 2% rate go into effect, plaintiff granted United a paid-up license at considerably less than 2% per aircraft. These two United licenses were the only ones actually made by Autogiro during the recovery period from November 1946 to May 1964. But as we have said plaintiff did make a general offer in 1947, at the 2% figure, to other manufacturers. That proffered rate was neither increased nor lowered before suit was brought here in 1951 (after which everyone concerned awaited the end of the litigation).

It has been suggested on behalf of the plaintiff that the 2% figure cannot serve as an established royalty rate used by the patentee in commercial licensing (*see*

license (which predated the recovery period) was definitely superseded, as plaintiff's general policy, by the 1947 United Aircraft agreement. *See* the text immediately *infra*.

[7] The agreement could be terminated at any time after December 31, 1948, upon the giving of a six-months written notice.

the test set forth in *Calhoun* v. *United States*, 197 Ct. Cl. 41, 55-56, 453 F.2d 1385, 1393-94 (1972)) because (a) the first (1947) United agreement was mainly the product of compromise to avoid litigation, and (b) mere offers by the patentee are inadmissible to prove value. We can accept neither premise.

The record does not show that the 1947 United License was a one-sided effort by United to force Autogiro to compromise its true position or face years of grinding litigation in this court under 28 U.S.C § 1498.[8] Whatever it may now say,[9] plaintiff does not seem at all to have made that evaluation of the United agreement at the time it was signed. In a letter of October 1948 to Harold Pitcairn (president of Autogiro), one of Autogiro's patent counsel (Raymond Synnestvedt) wrote about a recent visitor whose "main purpose was to sound me out on whether the Autogiro Company might grant him a license—and what the current licensing terms are. Since written outlines of the present licensing terms have been distributed fairly widely, I saw no reason why I should not orally outline the terms to [the visitor], which I did. He had not heard of the reduction from the previous ceiling of 5% to the postwar ceiling of 2%, and

[8] The defendant was by far the largest consumer of products enbodying plaintiff's inventions and had refused in 1947 to enter into license agreements, preferring to rely on indemnity agreements from its suppliers.

[9] At trial, Autogiro's patent counsel testified that the cost, trouble and worry of litigation were factors in reducing the royalty rate to 2% in 1947.

I think he was quite interested." Again (as indicated above), Autogiro gave an outline of a proposed license agreement with a 2% ceiling to three manufacturing companies, with the royalty rates described as "being quite representative of what is currently being offered." [10] These statements give not the slightest hint that Autogiro felt that the United agreement (or the like agreements proffered to the other manufacturers) was unfair or afforded it less than its due in the period now at issue.

It is a truism that patents can change or decline in value, and that seems to have been the case for Autogiro, even in its own eyes, during the post-war years. It wanted a package deal for any and all of its patents, and some of these were expiring from time to time. Engineering data for Autogiro (manufactured in the pre-war era) were not useful for helicopters (the article made after the war). The post-war procurement of devices using plaintiff's inventions was bound to be very much larger than the pre-war purchases—and the royalty *rates* could therefore decline significantly. Nor is it a sign of invalidating compromise that, especially where a packet of patents is involved, there may have been some doubts as to the validity of some of the claims.[11] Autogiro probably had some of those doubts itself and adjusted its demands accordingly. For these reasons the 2% United agreement seems to us highly probative under the rule we reiterated in *Calhoun* v. *United States*, 197 Ct. Cl. 41, 55-57, 453 F. 2d 1385, 1393-94 (1972). *Calhoun* teaches that the mere surmise that a bargained license may possibly include some

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[10] 4 *Nichols, Eminent Domain* (3d ed. rev. 1975), § 12.311 [2], declares that statements made in the process of making an offer concerning facts in the controversy which are not mere concessions made for the purpose of such offer are admissible against the party making them.

[11] After the 1947 agreement but before the 1949 paid-up license, a United official wrote (in July 1948) to the president of Autogiro:

"The agreement as concluded provided, however, for an increase in royalty ceiling to 2 perecnt of retail sales value for the calendar year 1949 and succeeding years. United signed the license agreement with the expressed intention of reviewing the entire situation, with special reference to royalty rates, prior to assuming any obligation for royalties in 1949 or subsequent years.

"From the beginning, United's problem has been to determine what royalty, if any, it was warranted in paying under the Autogiro patents, in order that United might be free from possible litigation from that source in carrying forward its research, experimental and manufacturing programs. In this connection, since by far the greater part of our sales of helicopters for some time to come will be to the Government, any suit involving such sales would have to be brought against the Government in the Court of Claims.

"In each appraisal of the patent situations, royalty rates have been opposed to the possible results, both favorable and unfavorable, of litigation should we proceed without a license. Each successive appraisal has resulted in a lesser value to be placed upon Autogiro's patents, and we would fully expect this trend to continue in the future. As you know, United has never felt the need of engineering assistance from Autogiro and it has never received, nor does it contemplate receiving in the future, any such assistance."

It is to be noted that this letter was written over a year *after* the 1947 agreement became effective, and cannot retroactively turn that 1947 pact into a mere compromise-to-avoid-litigation, especially in view of Autogiro's clear acceptance of, and satisfaction with, the 1947 agreement.

discount for litigation-avoidance does not *per se* preclude use of an accepted commercial rate as establishing reasonable and entire compensation. Earlier, *Saulnier* v. *United States*, 161 Ct. Cl. 223, 314 F. 2d 950 (1963), took heavy account, in setting compensation, of the plaintiff's previous settlement of infringement claims against the British government where that settlement appeared to be satisfactory and reasonable. *See* 161 Ct. Cl. at 226-27, 314 F.2d at 951-52.

As for the offers not translated into actual agreements, the authorities which reject such use (*see* the cases cited in 4 *Nichols, Eminent Domain* (3d rev. 1975), §§ 12.311[2] and 12.3113[3]) concern attempts by the condemnee to seek a *higher* award on the basis of offers made by or to him (or to utilize a third-party offer with respect to comparable property to gain a *higher* award). They do not involve an effort by the condemnor to rely on an offer made *by* the condemnee as proof of the value of the property. It is obvious that, although the inherent defects of offers made *by* condemnee-owners prevent the opposite party, the condemnor, from being bound by such offers, there is no reason why the owner himself should not be held to his own offer. In this instance, the post-1946 offers were not casual or *ad hoc* but were circulated "fairly widely" in the industry. It is appropriate to take them into account and to give them great weight.[12]

[12] There is no support for the view that, until six months after the Japanese Peace Treaty in April 1952, the plaintiff's licensing terms would be influenced by the Goverment's theoretical right to fix war-time royalties under the Royalty Adjustment Act of 1942. Plaintiff's own statements give no intimation of this nor does the record suggest that this theoretical power had any real impact after the actual end of the World War II hostilities in 1945-1946. It should also be added that the Adjustment Act's standard was fair and just compensation, and it cannot be assumed without proof that the mere naked existence of that statute had such a depressing effect. *Cf. United States* v. *Commodities Trading Corp.*, 339 U.S. 121 (1950).

All this means that the post-1946 United agreement at 2% as well as the post-1946 offers made by Autogiro at that same level—plaintiff's own position deliberately taken in 1947 and 1948—have a *prima facie* title to acceptance as the reasonable royalty for 1946-1964. The question remains whether the royalty should be set at a still lower figure, as defendant requests. This is not a simple skein to unravel, but our conclusion is that the 2% rate should be accepted for all infringements (after 1948, *see* note 16). The main reason is that, quite unlike the 2% figure, there is no indication from Autogiro that any lesser royalty was ever satisfactory, acceptable, or offered generally. The patentee's situation was unusual in that the Government was the dominant consumer of the articles embodying the patents, and this put the plaintiff to a disadvantage since it was very unlikely that an injunction could be obtained against United (or other infringers).[13] We therefore discount, in the ab-

[13] We refer to the fact that a patentee cannot obtain an injunction against a government-supplier or government-contractor and is confined, for his exclusive remedy, to a suit

sence of any expression of contentment, Autogiro's granting to United, at the latter's strong insistence, of a paid-up license in 1949.[14] No offers to other companies, stemming from this paid-up license, were made by plaintiff.[15] The theoretical constructions of defendant's expert—who reached a figure which was only a fraction of 2%—were based in largest part on the paid-up license; the expert did not consider plaintiff's hobbled position in trying to determine what the "parties might well have agree upon" (*Saulnier* v. *United States, supra,* 161 Ct.Cl. at 227 (1963)) if Autogiro had been relatively free of this one-sided litigation pressure. For the present case, in which there was only one actual license during almost the entire span of the infringement years, and this suit began early in the recovery period, the best that we can do is to accept the only royalty rate "offered freely [by Autogiro] to everyone" in the industry during that period, a rate actually agreed to, for a time by United, the

for "reasonable and entire compensation" (*i.e.* monetary compensation) against the United States under 28 U.S.C. § 1498. These suits generally take a long time to come to their conclusion and the patentee, even if he prevails, normally obtains no compensation until the litigation is at an end. (The reference is not to the Royalty Adjustment Act, *see* note 12, *supra.*)

[14] *See* note 11, *supra.*

[15] Suit was brought here in 1951, and it seems clear that after that date the problem of plaintiff's compensation would be, and was, left to the result of the litigation.

largest manufacturer. *See Calhoun* v. *United States, supra,* 197 Ct. Cl. at 56, 453 F. 2d at 1394.[16]

III. *Contribution*

Defendant's requested findings of fact assert that the order of magnitude of the contribution of each of the patents in suit to the rotary-wing aircraft industry is "zero, minimal, or negative." Defendant bases such requested findings primarily on a rehash of the several patent application files and the prior patents cited therein. The court has already found specific patent claims valid and infringed by one or more of seven helicopter types procured by defendant. The weight of the evidence shows that such prior art items are either totally irrelevant to the subject matter of the patent claims in suit or are fundamentally deficient, impractical and/or inoperative. There is no credible evidence that the helicopters made for or used by the defendant might have been more satisfactory if plaintiff's patented inventions had not be incorporated therein. Defendant's contention that royalty compensation should be computed at rates of less than 1%, based on its contention that plaintiff's contributions to the industry were minimal, is without merit.

[16] For the period before 1949, the 1947 United agreement provided that the royalty on any one aircraft should not exceed $500, and also that from 1947 onward the minimum royalty per year should be $10,000. We consider these provisions of that agreement to be applicable to this case, though the only

IV. *Spare Parts*

The United license defines "Licensed Aircraft" as not only "aircraft with sustaining rotors * * * embodying or manufactured or operating according to any or all of the inventions covered by Patents of Autogiro," but also "parts and assemblies of parts embodying or manufactured or operating according to any or all of said inventions for use in such aircraft. * * *" With regard to spare-part rotor hub assemblies for the HUP-1 helicopter, in accord with plaintiff's per-patent royalty the royalty base for claim 14 of the '457 patent is each spare-part HUP-1 rotor hub assembly, and the royalty therefor would be 10% of its retail sale value. However, spare-part rotor hub assemblies which embody or which are manufactured according to the subject matter of claim 14 of the '457 patent are, *per se* Licensed Aircraft, *i.e.*, parts "for use in" the Government's infringing helicopters for which such spare-part hub assemblies are procured; and in accord with the 2% royalty ceiling provision of plaintiff's established royalty for Licensed Aircraft, the total royalty for such spare-part hub assemblies may not exceed 2% of their retail sale value. The foregoing comments are equally applicable in respect to the effective 2% royalty for spare-part rotor hub assemblies for the HRP-1 and HRP-2 helicopters.

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one that is likely to be operative is the $500 ceiling for aircraft used by or manufactured for the defendant prior to January 1, 1949. From January 1, 1949, the 2% rate applies.

Plaintiff has limited its requests for royalties on all spare-part Vertol, Kaman and Gyrodyne rotor blades which are within the scope of this accounting, to the subject matter of claim 60 of the '583 patent as held to be infringed by either the HUP-1 or the H-21B rotor blades, and that subject matter is also the basis for plaintiff's requests for royalties on the rotor blades as installed on the Gyrodyne DSNs. Defendant's contentions cencerning claim 65 of the '583 patent and the various features thereof, with respect to recovery of royalties for spare-part rotor blades are completely moot at this point. The various features of claim 65, none of which are included in claim 60, and to which defendant has referred, are totally immaterial to the determination of plaintiff's right to recover royalties for spare-part rotor blades with respect to the subject matter of claim 60 as held to be infringed. Defendant's contention that plaintiff is not entitled to royalties for spare-part hub assemblies and rotor blades is without substance.

V. *Delay Compensation*

A.

The "reasonable and entire compensation" due plaintiff under 28 U.S.C. § 1498 includes not only reasonable royalties but also an appropriate amount which compensates plaintiff for defendant's delay in payment of those royalties. This additional amount has been referred to as "delay compensation." As stated by Justice Holmes in *Waite* v. *United States*,

282 U.S. 508, 509 (1931), the "reasonable and entire compensation" provided by the statute "was intended to accomplish complete justice as between plaintiff and the United States." The amount due as delay compensation is determined by multiplying the annually accrued royalties by an appropriate annual percentage rate. The periods of time covered by the computation of that additional amount extend from the dates of defendant's procurements until the date of payment of the court's judgment herein.

The amounts heretofore awarded as delay compensation by this court in eminent domain cases, including cases under 28 U.S.C. § 1498, have been computed at various rates. From 1927-37 the rate was 6%. During 1937-44 the rate was 5% and after 1944 the rate of 4% has been used. In the court's decisions in those earlier cases there is little or no discussion of the theory or basis upon which a particular percentage rate of delay compensation was chosen.

The rates used by the court in the past to calculate delay compensation have generally followed trends of changes in investment yield rates during the 1920's, 1930's and 1940's. The rate to be used during the delay compensation periods involved in this suit, *i.e.*, from 1946 until payment of the court's judgment herein, should also follow the changes in yield rates. These may be determined by reference to an established, well recognized, widely used and authoritative index of investment yields. Plaintiff urges that the court use for this purpose Moody's Composite Index of Yields on Long Term Corporate Bonds.

Defendant has urged that the court should establish, as the rate of delay compensation due plaintiff, an amount equal to the average annual yields on a series of hypothetical long term Government bonds which defendant constructs subjectively. Both plaintiff and defendant thus urge that a varying rate of delay compensation should be established by the court in this case. However, defendant's position is that the various rates of delay compensation should be established without reference to the court's own varying rates of delay compensation in prior periods, and defendant ignores any relationship between the rates it now proposes and the rates of delay compensation which this court has used just prior to the beginning of the accounting period in this case. Both parties recognize that the 4% annual rate of delay compensation which was applied by this court after 1944 should not arbitrarily be continued in this case. Both parties agree that the court should establish a varying annual percentage rate for delay compensation which is appropriate under the facts and circumstances in this case. The parties disagree on the principles which determine an appropriate varying rate, and on the varying rate itself. The amount due as delay compensation in this case involves a determination by this court of an appropriate base or yardstick by which to measure and thereby establish the award for delay compensation. The method of determining delay compensation should be justified by the evidence, and the rate should be responsive to the ends

of justice. The ultimate test, of course, is that the plaintiff must receive just compensation.

Examination of evidence of record relating to the trends indicated by Moody's Composite Index of Yields on Long Term Corporate Bonds leads to the conclusion that in view of all the circumstances involved in this prolonged litigation, it is reasonable to divide the delay period into several periods and to utilize a rate of 4% for the period 1947-55, a rate of 4½% for 1956-60, a rate of 4¾% for 1961-65, a rate of 6½% for the period 1966-70, and a rate of 7½% for the period 1971-75. It is noted that Pub. L. No. 93-625, § 7, 88 Stat. 2108, signed by the President on January 3, 1975, now provides for the payment of interest by the Government at the rate of 9% per annum on overpayments of federal internal revenue taxes, effective July 1, 1975. Said law also provides for annual adjustment of the interest rate when the prime rate charged by banks during September is at least a full point more or less than the Government interest rate then in effect. The Congress thus gives statutory sanction to the use of a commercial rate index or indicator in determining the rate of interest to be paid by the Government.

Plaintiff has urged that the delay compensation should run from the mid-point of each year during the accounting period since the actual procurement dates for the many aircraft involved in this case are scattered throughout each calendar year. In *Calhoun*, *supra*, the court selected August 15, 1954, mid-point of the period from April 29, 1954 to November 21,

1956, for the start of delay compensation. In *Amerace Esna Corp.* v. *United States*, 172 USPQ 305, 308 (1972), the trial judge selected March 8, 1955, mid-point of the period September 8, 1952 to September 8, 1958, for start of delay damages. The court adopted that computation in a *per curiam* opinion reported at 199 Ct. Cl. 175, 462 F. 2d 1377, 174 USPQ 517 (1972). In *Breese Burners, Inc.* v. *United States*, 140 Ct. Cl. 9, 115 USPQ 179 (1957), the court decided that interest would run from December 31 of each year involved until date of payment. In *Badowski* v. *United States*, 150 Ct. Cl. 482, 278 F. 2d 934, 125 USPQ 656 (1960), the court held that reasonable and entire compensation should include interest to date of payment to compensate plaintiff for the delay in payment. In *van Veen* v. *United States*, 181 Ct. Cl. 884, 386 F. 2d 462, 156 USPQ 403 (1967), the court held that plaintiff was entitled to recover interest as part of just compensation from January 1, 1967 to the date of payment. Defendant objects to the allowance of interest from the mid-point of each calendar year and asserts that the acceptance date of each infringing aircraft is available. Plaintiff's license agreement with United in 1947 provided for the payment of royalties semi-annually within 45 days after June 30 and December 31 of each year on all licensed aircraft sold, leased or put into use during the preceding 6-month period. In view of all the circumstances involved in this litigation, it is concluded that reasonable delay compensation herein should be computed on a calendar year basis with interest start-

ing on January 1 of each year on the royalties accrued during the preceding calendar year. Delay compensation is part of reasonable and entire compensation and is not considered as interest *per se*.

Defendant's debtor theory that delay compensation should be based on the yields of a series of hypothetical Government bonds was recently rejected by one of the court's trial judges in *Arcata National Corp.* v. *United States*, No. 771-71, report filed July 25, 1974. The trial judge in that case concluded that delay compensation should be paid for the period involved at the rate of 6.6% simple annual interest, a rate based on his reference to corporate AAA bond interest rates and prime interest rates. A stipulated settlement based thereon was confirmed by order of the court on January 3, 1975, *Arcata National Corp.* v. *United States*, 206 Ct. Cl. 819. The court's order entered judgment for Arcata in the sum of $35,882,-251.50 together with simple interest thereon at the rate of 6.6% per annum until date of payment.

After considering all the circumstances involved in the present protracted litigation it is concluded that delay compensation computed at the varying rates for varying periods set out above is both reasonable and justified. The determination of a proper amount of delay compensation is a judicial function. The discharge of that function requires the exercise of judgment.

Plaintiff has presented evidence of the expenditure of $1,669,658 during the period 1951-73 for attorneys' fees, witness fees and other expenses allocable to the

11 patents which the court has held valid and infringed. In a recent case involving the taking of flowage easements over farmlands, this court allowed attorneys' fees at 25% of the total compensation. *King* v. *United States*, 205 Ct. Cl. 512, 504 F. 2d 1138 (1974). In the present litigation, plaintiff did not include attorneys' fees in his requested reasonable and entire compensation before the trial judge. Therefore, no determination with respect to attorneys' fees, witness fees and expenses is made.

B.[17]

As indicated in subpart A, *supra*, the trial judge has recommended delay compensation based on a stepped percentage rate varying from 4% for the years 1947-55 up to 7½% for the years 1971-75. The trial judge determined these percentages after examining the trends in investment yields, as indicated by Moody's Composite Index of Yields on Long Term Corporate Bonds. The trial judge noted that in many cases the court awarded delay compensation at a rate of 6% during the period 1927-37, 5% during the period 1937-44 and 4% during the period 1945-48, which rates were about 1 to 2 percentage points higher than the long term corporate bond yields during the same periods. The Government urged the trial judge and the court to calculate delay damages based on the average annual yields of

[17] This subpart B of Part V of the opinion has been added by the court.

a series of hypothetical long term Government bonds, in effect, the cost to the Government of borrowing money. This measure of damages is contrary to the established rule of eminent domain that damages should be determined by what the condemnee has lost, not what the taker has gained. 3 *Nichols, Eminent Domain,* (3rd Ed. Rev. 1975), § 8.61:

> The just compensation to which an owner is entitled when his property is taken by eminent domain is regarded in law from the point of view of the owner and not of the condemnor. In other words, just compensation in the constitutional sense is what the owner has lost, and not what the condemnor has gained.

(Fn. omitted citing, *e.g. Boston Chamber of Commerce* v. *Boston,* 217 U.S. 189 (1910, per Holmes, J.)) The yield on a series of hypothetical Government bonds is not relevant in ascertaining the injury plaintiff has suffered. It measures compensation only according to the point of view of the taker without reference to that of the owner since he is hardly likely to be able to borrow money at the rates the Government can.[18] *King* v. *United States,* 205 Ct.

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[18] *Blankenship* v. *United States of America,* 9th Cir., Nos. 75-1704, 75-3722, decided October 15, 1976, is not to the contrary. It dealt with relatively short-term, actual Treasury securities—not with hypothetical long-term Government bonds never actually issued. The Court of Appeals held that the trier had to consider and take into account such short-term *actual* Government obligations (not that the trier was bound by those rates). In the present case, in contrast, the defendant emphasized and emphasizes hypothetical very-long-term securities, "constructed" by the defendant for the purposes of

Cl. 512, 504 F. 2d 1138 (1974), does not require a different result. *King* turns on its facts and we do not extend that decision here. The parties in *King* stipulated that the interest rate awarded should be commensurate with the rates of interest paid by the Government in the market for its own borrowing purposes. Plaintiffs urged an interest rate of 6%, whereas the Government proposed a rate of 4%. The trial judge, *in view of the special circumstances of the case,* that is, the parties' stipulation described above, recommended an award based on the annually fluctuating rate on long-term United States Government bonds, which ranged from 3.95% in 1962 to 5.70% by the end of 1970. The court adopted the trial judge's recommended award in a *per curiam* opinion. It is clear that the use of the rate of interest on long-term Government bonds as a method of determining interest as part of just compensation

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this litigation. Judge Lane had before him, in addition to defendant's construction of hypothetical long-term Government bonds, record evidence of shorter-term, actual Government obligations of the type dealt with in *Blankenship*—and he clearly took these latter into account. *See* the last three sentences of court finding 478 (trial judge finding 526); "One-year Government bonds produce an annual average simple interest equivalent rate of 6.91 percent average for the period 1946-1975. An average equivalent rate of 6.28 percent is produced by using 4-year Government bonds (the average of yield statistics for 3- to 5-year Government bonds). The delay compensation asserted by defendant, an average equivalent rate, from defendant's hypothetical long term Government bonds, of 3.10 percent, is both inadequate and improper."

rests on the stipulation and not on the independent determination of the court.

The court has considered *Arcata National Corporation* v. *United States*, (order reported) 206 Ct. Cl. 819 (1975), for two reasons: first, Judge Lane mentions it in his recommended decision (*supra*, subpart A) as a case in which the trial judge rejected defendant's theory that delay compensation should be based on the yields of a series of hypothetical Government bonds, and, second, that trial judge awarded a 6.6% covering a period for part of which Judge Lane awarded 7.5%. The trial judge in *Arcata* recommended an award which included 6.6% for delay damages (No. 777-71 decided July 25, 1974), but the court subsequently, by order, accepted a stipulation of the parties that plaintiff's written offer of settlement with 6.6% interest had been accepted. *Arcata* is not a judgment of the court, but a compromise settlement, and as such, it is not an appropriate measure of just compensation. 4 *Nichols, Eminent Domain*, (3rd Ed. Rev. 1975) § 12.3113[2].

In *Arcata*, the Government urged that interest at a rate of 6%, the statutory rate, 16 U.S.C. § 79c(b)(2), satisfied the requirements of just compensation, relying on the fact that on or about October 2, 1968, the taking date, the Government was paying 6% on its debt obligations. Plaintiff sought to recover interest at a rate of 7.36%, representing the average rate of interest it actually incurred on its debt obligations from the date of taking to a date just before trial. The parties recognized that ascertainment

of just compensation was a judicial function and thus the court was not limited to the statutory figure of 6%, in effect, that the statutory 6% figure in the Redwood National Park Act, 16 U.S.C. § 79a-79j, was not binding. The trial judge rejected defendant's method as being too narrow and restricted in failing to consider other relevant data. We also reject such an approach.

The *Arcata* trial judge did not accept the plaintiff's method *per se*, but concluded that on the basis of the entire record, 6.6% was a fair rate of interest. In reaching this conclusion, the trial judge consolidated the prime interest rate for the period September 1968 through March 1973 (6.56%) with plaintiff's computed average on its borrowings for the same period (7.36%), achieving an average of 6.86%. The trial judge reconstructed plaintiff's interest computations to account for compensating balances and recognized that plaintiff did receive significant interest payments for 1969 and 1971. Prior to 1969, plaintiff was a prime customer at various banks and lending institutions and was able to negotiate loans at very favorable rates. After 1969, plaintiff had to pay higher rates. It is clear that the rate used by the trial judge was based in part on the actual cost to plaintiff of borrowing money. The court does not approved of this actual cost method. Plaintiffs are not usually in the business of borrowing money and thus costs based on their own borrowing rates are highly speculative. A plaintiff with a poor credit rating could theoretically receive an award of just

compensation at very high interest rates because its actual cost of borrowing money might be very high, while another might be penalized for having a good credit rating. Neither the cost to the Government nor to the plaintiff of borrowing money is an appropriate measure of just compensation, and therefore, we are not bound by the 6.6% rate used in *Arcata*.

The court agrees with the method used by Judge Lane in this case. As the trial judge explained in the findings of fact, long-term corporate bond yields are an indicator of broad trends and relative levels of investment yields or interest rates. They cover the broadest segment of the interest rate spectrum. The corporate bond market is large, substantially in excess of long-term Government bonds and long-term corporate yields measure basic trends and relative levels of interest rates from one period to another.

It is true that the court has computed interest in eminent domain cases at a rate of 4% since 1944. It should be noted that the prime interest rate was below 4% during the years 1944-1956. From 1956 through 1960, the prime rate fluctuated between 3% and 5%. Our awards covering that period allowed a rate, as we think they should have, higher than the prime rates and the rates at which the Government could then have borrowed money. The prime rate increased steadily, from 4.5% in 1960 to 8.5% in 1969. During the period 1971-72, the prime rate ranged from 4⅜% to 6%. Most recently, in 1973-76, the prime rate has varied from 6.75% to 12%.

When the prime rate or Moody's Corporate Index increased, the court failed to increase its interest award, not because of any affirmative determination that such an increase was improper or unwarranted, but rather because it was not confronted with a case that presented the necessary evidence properly. *See, Amerace Esna Corporation* v. *United States*, 199 Ct. Cl. 175, 462 F.2d 1377, 174 USPQ 517 (1972), (no evidence offered to prove requested 6% rate); *Drakes Bay Land Co.* v. *United States*, 198 Ct. Cl. 506, 459 F.2d 504 (1972), (no proof offered other than stipulated fact that defendant paid 6% interest on district court judgment condemnation cases involving land which became part of the same National Park); *Confederated Salish & Kootenai Tribes* v. *United States*, 193 Ct. Cl. 801, 437 F.2d 458 (1971), (statistical data offered to court, but not to trial judge); *Carlstrom* v. *United States*, 147 Ct. Cl. 297, 177 F. Supp. 245 (1959), (no special circumstances warranted award higher than 4%).

The parties in this case have briefed the issue and presented sufficient evidence to the trial judge to allow an informed and reasoned determination as to the appropriate measure of just compensation, just as we said they should have done in *Confederated Salish*, if they wanted the time-honored rates to be reconsidered in light of new economic conditions. Accordingly, the court adopts Part V of the trial judge's recommended decision as its own in addition to these added comments.

Plaintiff has not shown any basis for recovery of further delay compensation on account of inflation, and its claim for this is denied.

VI. *Experimental Use*

The order of the court filed July 12, 1973, *Autogiro Company of America* v. *United States*, 202 Ct. Cl. 1105, permitted the defendant to make "offers of proof" with respect to the manufacture and use of accused helicopters by the defendant "for testing and experimental purposes." At the accounting trial, defendant presented such offers of proof through the testimony of 13 witnesses and 147 documentary exhibits pertaining to about 93 of the 2,237 rotary-wing aircraft involved in this litigation. Defendant has requested 153 detailed findings of fact relative to experimental use, all based on its offers of proof. No findings of fact are or need be made on the testing and experimental use of accused aircraft. It may be noted, however, that at least one of defendant's witnesses testified that the testing of helicopters "was use of those helicopters for the Government."

Defendant contends that under this court's decisions in *Ordnance Eng'r Corp.* v. *United States*, 84 Ct. Cl. 1 (1936), *cert. denied*, 302 U.S. 708 (1937) and 96 Ct. Cl. 278 (1942), and *Chesterfield* v. *United States*, 141 Ct. Cl. 838, 159 F.Supp. 371 (1958), devices of an infringing construction which were used for experimental or test purposes are to be excluded from the computation of compensation under 28 U.S.C. § 1498. That statute provides:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

Defendant's interpretation and attempted expansion of the court's decisions in the two *Ordnance* cases *supra*, pertaining to what those decisions refer to as "ballistic shell" and "experimental shell," are erroneous; and those decisions are inapplicable to the present cast. Although in *Ordnance* the court did exclude from the accounting the so-called "experimental shell," there is no discussion in the opinion in either of those cases as to the rationale for their exclusion. The only statement in the *Ordnance* decisions on "experimental" is one sentence: "Experimental shell are shell built for experimental purposes." There is no elucidation as to the determinants of "experimental purposes." Thus, the *Ordnance* decisions provide no rationale for, or guidance for determining the propriety of excluding from an accounting so-called "experimental" devices except that they are devices "*built for* experimental purposes." In the present case there is no evidence in defendant's offer of proof that any of the helicopters to which defendant's "experimental use" contentions pertain were built solely for experimental purposes.

For that reason alone, the *Ordnance* decisions are inapposite.

Defendant's reliance on the court's opinion in *Chesterfield, supra,* is likewise without merit. The court's statement in its opinion there that experimental use does not infringe constituted pure *obiter dictum*. The court's opinion specifically stated:

> Where the court finds as a fact that the patent claims in suit are clearly invalid * * * it may not be necessary to consider the issue of infringement. 141 Ct. Cl. at 840.

The court's reference to experimental use was clearly unnecessary to the disposition reached in *Chesterfield*. It is also noted that in *Chesterfield* the defendant procured by purchase, not by manufacture by or for the Government, certain alloys which had been developed and used for supercharger buckets and blades. In *Chesterfield*, the claim arose from defendant's use of purchased alloys. In the present case, the infringing aircraft were clearly *manufactured* for the defendant.

Plaintiff has excluded from its present claim static test mechanisms manufactured for defendant. Numerous research and development contracts were entered into by the defendant and various manufacturers for the design, development and manufacture of experimental helicopters and none of those specific helicopters are the subject of this litigation.

Defendant urges the court to exclude from compensation any aircraft used by the defendant for testing, evaluation, demonstrational or experimental

purposes. Use for such purposes is used by or for the Government and is compensable. Obviously every new helicopter must be tested for lifting ability, for the effect of vibration on installed equipment, flight speed and range, engine efficiency, and numerous other factors. Tests, demonstrations, and experiments of such nature are intended uses of the infringing aircraft manufactured for the defendant and are in keeping with the legitimate business of the using agency. Experimental use is not a defense in the present litigation.

Defendant has also referred to the experimental use portion of Trial Judge Cooper's opinion and report to the court in *Douglas* v. *United States*, 181 USPQ 170 (1974). The court's opinion in that litigation, 206 Ct. Cl. 96, 510 F.2d 364, 184 USPQ 613 (1975), *cert. denied*, 423 U.S. 825, did not rule on experimental use since the patent claim was held to be invalid. While the trial judge's discussion of the experimental use rule in various courts is not the law of the case in *Douglas*, it is a well reasoned and historical analysis. In *Douglas*, the testing of the Kestrel aircraft conducted by the Army, Navy and Air Force, to evaluate the aircraft was found by the trial judge to be use of the aircraft which served a valuable governmental purpose.

Upon the foregoing opinion and on the findings of fact which are made part of the judgment herein, the court concludes that the plaintiff is entitled to recover from the United States in accordance with the opinion. Judgment is entered for plaintiff to that ef-

fect. The amount of recovery, including both the basic amount of compensation and the delay compensation, will be determined pursuant to Rule 131(c) under the opinion.

NICHOLS, *Judge* with whom KUNZIG, *Judge*, joins, concurring in the result:

I concur in the decision of the court and in the Per Curiam opinion except for part II, Royalty Compensation. As to that, I concur in the result, because I believe the Royalty Compensation should be at least as much as the conclusions stated in that part will lead to, and, indeed, considerably larger yet. The opinion is correct so far as it rejects the further cuts in Royalty Compensation proposed in Judge Kashiwa's dissent.

The court's decision will slash almost in half the trial judge's proposed decision, which would have awarded $50,926,278, of which $24,570,525 was the principal amount of reasonable and entire compensation, and the remainder was compensation in the nature of interest for delay in payment. The change serves to reward a cynical exploitation of the cost and delay of suing in this court, and its inevitable effect upon a claimant's valuation of his claim.

I would not quarrel with some reduction in the above figures, but I would make it for different reasons and to a lesser extent. It is normal in valuation proceedings to reject the testimony of retained experts on both sides and to award something in be-

tween. The trier of fact is not helpless if the testimony is all unacceptably high or low. *The Conqueror*, 166 U.S. 110, 131 (1897); *United States* v. *Northern Paiute Nation*, 183 Ct. Cl. 321, 346, 393 F.2d 786, 800 (1968). When we have fully in effect the utopia of court-appointed experts under the Federal Rules of Evidence, Rule 706, as adopted in Pub.L. 93-595, this kind of splitting of differences may become less respectable.

Here however, the court has rejected one error only to embrace another. The trial judge unfortunately held that the taking occurred all at once on the occasion of the first infringement by or on behalf of the Government. The court rightly holds that takings occurred from time to time over the years, as helicopters were built. But it wrongly holds that the 1947 royalty agreement with United Aircraft Corporation and the offers by plaintiff to other companies are binding on it, as admissions, and necessitate a royalty reduction to 2% from the trial judge's 3.85%.

After the end of World War II hostilities the wartime .85 rate lapsed though the Royalty Adjustment Act was, as the court admits, at least technically in effect. The Government apparently made no effort to rely on it; rather, it required indemnity agreements from suppliers. This relegated the plaintiff to making the best deal it could with manufacturers amid all the dog eat dog atmosphere of private patent controversy, but without the injunction relief normally available to wronged patentees, because the greater part of the sales were to be to the Government, and

the remedy by suit in this court under 28 U.S.C. § 1498 was exclusive. The general expectation was that after many years of costly litigation, some patents would be held valid and some invalid.

The court describes the two agreements with United Aircraft Corp. It professes to derive support for its position from the fact that United's letter, quoted in its fn. 11, was written a year after the 1947 agreement. However, the letter discussed and characterizes that 1947 agreement as purely and simply, on its side, a resultant of assessing the royalty plaintiff demanded against the projected outcome of litigation. No reason appears why the lapse of a year would make that assessment less valid. It is, in my view, a telling letter and vividly portrays the predicament that Autogiro was placed in. Plaintiff's situation was the same. This is why plaintiff cut its demands from 5% to 2%. If it had done this because its inventions were not salable, we would have a different case. It knew its inventions were not only salable but indispensible; that manufacturers could not build helicopters "around them," in the patent lawyers' term, *i.e.*, they could not build helicopters without infringement. It knew that whether manufacturers procured licenses or not, they would build helicopters in the same manner, infrinnging or not, and would defy any lawsuits that might be brought.

What is any claim worth, in present value, if one knows one must sue in the Court of Claims for 25 years to recover anything upon it? Is it fair to take the fellow who would settle it at the outset for 40¢

on the dollar, and assess his claim at 40¢, though he has not got the *quid pro quo* his sacrifice of 60¢ would have obtained if accepted?

Nobody ever actually paid any royalties at the 2% rate. Plaintiff would have obtained under its 1947 United agreement, if not superseded, and under its offers to others, if accepted, an immediate cash flow. It would also have obtained from anyone who accepted a license, an estoppel to challenge the patents, as the law was before *Lear Inc.* v. *Adkins*, 395 U.S. 653 (1969), which overruled *Automatic Radio Mfg. Co.* v. *Hazeltine Research Co.*, 339 U.S. 827 (1950). Most valuable of all, it would have saved 25 years of litigation. Plaintiff finally sold a paid up license at an even cheaper rate to United, to obtain these blessings. Defendant, and its indemnitors, did not furnish any of the *quid pro quo* that United furnished, and yet now they want the discount that United got. Even the court can see that the under 1% rate is not "reasonable and entire compensation" but somehow the 2% rate is different.

The court's decision not only violates the most elementary notions of reason and justice, but also established law. The general rule in eminent domain is that a landowner's right to recover just compensation may not be measured by the amount another landowner received as a settlement of possible litigation. *4 Nichols On Eminent Domain*, (3d Ed. Rev. 1975), 12.3113 [2].

Calhoun v. *United States*, 197 Ct. Cl. 41, 453 F.2d 1385 (1972), does not require a different result, but

by implication indicates we should disregard the post-1946 transactions. In *Calhoun*, plaintiff licensed the patent throughout the industry at a rate of twenty-five cents per unit. The trial judge increased this commercial royalty by one-third since he felt the rate was set by plaintiff with a view to avoiding litigation and since defendant's failure to keep records increased plaintiff's costs in litigation. The court refused to accept the trial judge's figure because:

> * * * There [was] nothing in the evidence to show or to suggest, that the 0.25 cent rate was set beneath fair market value with a view toward avoiding litigation. This license rate was used widely and offered freely to everyone; there were many "takers" at that price. * * * We must assume, in the absence of contrary evidence, that it represented full and fair market value, *i.e.*, the going price. (197 Ct. Cl. at 56-57, 453 F. 2d at 1394).

Considering the casualties that patents suffer by invalidity determinations in the Federal Courts, a bargained license under any patent not yet litigated would possibly show some discount for litigation avoidance, but the teaching of *Calhoun* is that this mere surmise does not *per se* preclude use of a widely accepted commercial rate to establish reasonable and entire compensation. That is all *Calhoun* teaches to me.

The case before us is very different from *Calhoun*. There is conclusive evidence in the record that the parties considered the costs of litigation in negotiat-

ing the license agreements. There were not many "takers" of Autogiro's patents after 1946, only United. Further, post-1946 manufacture of helicopters was primarily for the Government, not commercial sales. We can properly infer from the record that the 1947 and 1949 agreements with United were not valid reflections of the patents' fair market value.

I agree with the remainder of the court's decision, as to which, therefore, I need not spell out my views. The amount the trial judge would have awarded is large, perhaps unprecedented. Even this court's meat axed award will be substantial. Large as the involved sums are, here, as always, the precedential effect of our decision is even more important. Do we really want to tell litigants that we have so little concern about the cost and delay of suing in this court, that we will take as the full value of a claim herein the discounted value which a desperate claimant must accept, if he is to realize anything at all before 25 years of litigation? If that is our position, we have a self-activating mechanism for reducing awards, which the defendant will know how to make the best use of. It is not my idea of justice.

Plaintiff's offers in 1947 do establish that the 5% royalty rate was abandoned. I would consider them to that extent. The situation appears to me to be appropriate for one of those miscalled "jury verdicts" (*cf. A. C. Ball Co* v. *United States*, 209 Ct. Cl. 223, 531 F. 2d 993 (1976)). I would come up with a $20,000,000 figure for the royalties, to which

should be added the compensation for delay in payment.

As a parting shot, I will add I fail to see why this *Jarndyce* v. *Jarndyce* of a case has got to be further prolonged with Rule 131(c) proceedings. Could not the court, by a few minute's work with a pencil, calculate the amount of the award to which its reasoning leads, and convert this claim at long last into a money judgment?

SKELTON, *Judge*, concurring in part and dissenting in part:

I concur in all the per curiam opinion, except the award of interest of $6\frac{1}{2}$ percent for the period 1966-1970 and the award of interest of $7\frac{1}{2}$ percent for the period 1971 to date of payment. I think the interest awarded for these years is too high and should be reduced to six percent for the entire period of 1966 to date of payment. This would be in line with 16 U.S.C. § 79c(b)(2) (1970) which provides in pertinent part:

> The United States will pay just compensation to the owner of any real property taken * * * including interest at the rate of 6 per centum per annum from the date of taking the property to the date of payment therefor; * * *

It is true that this statute refers to the taking of real property for the Redwood National Park, nevertheless, it deals with a fifth amendment taking of

property by the Government and provides the payment of an appropriate rate of interest.

Also, the Declaration of Taking Act, 40 U.S.C. § 258a (1970), 46 Stat. 1421, provides in pertinent part with reference to just compensation for a taking by the United States of any land or easement or right of way in land for public use:

> * * * [A]nd the said judgment shall include, as part of the just compensation awarded, interest at the rate of 6 per centum per annum * * *.

These two statutes establish guidelines for the payment of interest in fifth amendment takings of real property by the United States. While the instant case does not involve real property, it does involve fifth amendment takings by the Government. I think that in the absence of adequate and convincing proof otherwise, we should follow the above statutes and award six percent interest for the above-indicated period.

In the case before us, the majority approves the decision of the trial judge in awarding $6\frac{1}{2}$ and $7\frac{1}{2}$ percent interest for the designated period based on Moody's Composite Index of Yields on Long Term Corporate Bonds. In my opinion, this is not a proper yardstick to measure or determine the amount of interest to be awarded in a fifth amendment taking by the Government. We are not dealing with corporate bonds, which may be speculative as to yield as well as to risk of default, but with an obligation of the United States which usually bears a lower interest

rate than that applicable to other borrowers, is not speculative as to yield and bears no risk of default.

The Ninth Circuit Court of Appeals discussed this very point in *United States* v. *Blankinship*, Nos. 75-1704 and 75-3722 (decided October 15, 1976), in considering the proper way to determine the amount of interest to be paid for a fifth amendment taking by the Government under the Declaration of Taking Act cited above. The court held:

> However, we also hold that the trial court in this case, acting as the trier of fact, did not consider evidence we believe to be of great importance in establishing the proper and reasonable rate. Specifically, the trial court did not have before it certain highly relevant evidence with the result that the rates selected may have been improperly skewed. The evidence before it was inadequate to establish, the rate of interest that would have been available to the person from whom the property has been taken had he, at the date of taking, invested the total amount of any deficiency in the original deposit in a marketable public debt security issued by the United States Treasury having a duration commencing with the date of taking and ending with the deposit in the registry of the court of the entire deficiency with proper interest. Evidence tending to establish such a rate is necessary to fix fairly the just compensation to which the person deprived of his land is entitled. Without evidence of such a rate the rates selected very lightly may have been unduly influenced by rates

> applicable to loans more speculative than one to the United States. * * *
>
> *   *   *   *   *
>
> * * * * [W]e are convinced that the proper interest rate applicable to an obligation of the United States may well be lower than that applicable to other borrowers. Moreover, this lower rate is particularly relevant here because the obligation to pay the deficiency is an obligation of the United States, a creditor whose obligation embodies no risk of default. Seizure of land under the Declaration of Taking Act is an act by the United States by which it substitutes for ownership of land, together with the risks attendant thereto, an obligation of the United States which is free of the risk of default. * * *
>
> * * * We believe that the trial court should have focused more on that type of marketable public debt security which constitutes a direct obligation of the United States Treasury having a duration approximating the period during which the deficiency was unpaid. Data of this type appears in the *Treasury Bulletin* [4] and the *Federal Reserve Bulletin.*
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> [4] Of particular significance is the table setting forth "Yields of Treasury Securities" which appears regularly in the monthly Treasury Bulletin. *E.g.*, TREAS. BULL., July, 1976 at 79.

I agree with the decision of the Ninth Circuit Court in the above case. The method of determining the rate of interest in that case was not the procedure followed by our trial judge. It does not appear that there was any evidence at the trial of the yield of

public securities of the United States during the designated period. It is true that the defendant suggested at the trial that the interest rate should be "an amount equal to the average annual yields on a series of hypothetical long term Government bonds which defendant constructs subjectively." Of course, such a yardstick is speculative and is not the proper way to establish the correct interest rate.

It does not appear that there was any evidence at the trial showing the rate of interest that would have been available to the plaintiff if it had invested, on the dates of taking, the total amounts due it in marketable public debt securities issued by the United States Treasury during the periods involved here. Without such evidence, we are not justified in awarding interest of more than six percent as specified in the two statutes cited above.

The case of *Arcata National Corp.* v. *United States*, No. 771-71, report filed July 25, 1974, wherein the court approved interest of 6.6 percent in a taking case, is not applicable here, because the parties agreed to the 6.6 rate and the court merely approved their agreement. The majority agrees that this is true.

Neither is Pub. L. No. 93-625, § 7, 88 Stat. 2108 of January 3, 1975, providing for payment by the Government of interest of nine percent per annum on overpayments of internal revenue taxes, cited by the majority, controlling in this case. There is not the slightest evidence or indication that Congress intended the Act to apply in any way to eminent domain cases. Besides, there is a big difference between interest on

an overpayment of taxes and interest in a taking case. An overpayment of taxes allows the Government to use the taxpayer's money until a refund is made and the nine percent interest is payment by the Government for such use. Whereas, in a taking case, interest is not paid for use of money belonging to the party whose property is taken, but is awarded to him as a part of his damages in the form of delayed compensation.

KASHIWA, *Judge*, concurring in part and dissenting in part:

I concur with the views expressed in the majority opinion regarding: I. Similarity, III. Contribution, IV. Spare Parts, V. Delay Compensation and VI. Experimental Use. But with relation to the portion of the opinion entitled II. Royalty Compensation, I concur in part and dissent in part as hereinafter shown.

The majority found, relative to II. Royalty Compensation, that:

> * * * Effective as of January 1, 1947, Autogiro entered into an agreement with United Aircraft Corporation for a royalty of $500 an aircraft for 1946-1948, with the $500 ceiling to change to 2% of the airframe price on and after January 1, 1949. After this United agreement was executed, the plaintiff proposed similar licenses to other major manufacturers of helicopters, in effect announcing its post-war rate to be 2%. * * * [Footnote omitted] [At page 11.]

It is on these offers by plaintiff, made in 1947-1948, to other manufacturers of aircraft, mainly Piasecki, McDonnell and Bell, of licenses similar to that of United Aircraft Corporation's (United) license agreement effective January 1, 1947, that the majority decided on the post-war rate of 2%. A careful reading of the majority opinion shows that the opinion is not clear as to whether it meant that the 2% rate was only a maximum rate or whether the 2% rate was a flat rate with no downward, lower rate permitted. As to these offers, the majority states:

> All this means that the post-1946 United agreement at 2% as well as the post-1946 offers made by Autogiro at that same level—plaintiff's own position deliberately taken in 1947 and 1948—have a *prima facie title to acceptance as the reasonable royalty for 1946-1964.* * * * [Emphasis supplied.] [At page 14.]

The phrase "*prima facie* title to acceptance" is ambiguous. The ambiguity is made more apparent when one reads the majority's footnote 16. It reads as follows:

> [16] For the period before 1949, the 1947 United agreement provided that the royalty on any one aircraft should not exceed \$500, and also that from 1947 onward the minimum royalty per year should be \$10,000. *We consider these provisions of that agreement to be applicable in this case,* though the only one that is likely to be operative is the \$500 ceiling for aircraft used by or manufactured for the defendant prior to January 1, 1949. After January 1, 1949, the 2% rate applies. [Emphasis supplied.] [At page 15.]

The record in this case shows that United's \$500 ceiling per aircraft at that time amounted to a .66% rate.[1] A rate of .66% is only one-third of the 2% rate. Since the majority allows this lower rate of .66% for the 1947-1948 period, a careful reader of the opinion may conclude that the phrase "*prima facie* title of acceptance" is interpreted to mean that the 2% rate is only a maximum rate and so lower rates are permitted. But in the same paragraph to

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[1] The 1947 United license agreement provided as follows:

"In respect of royalties accrued under the foregoing provisions of this Section within the three calendar years ending December 31, 1948, *the royalty on any one aircraft shall not exceed Five Hundred Dollars (\$500.)*. As to any such aircraft, if the royalty so paid by Licensee equals \$500., there need be no determination (for the purposes of this Section) as to which Patents of Autogiro are employed therein. For the calendar year 1946, the royalty as calculated under the foregoing provisions of this Section, on any aircraft made by Licensee and sold and delivered to and accepted by the Government in 1946 shall in no event exceed the royalty which would have been payable thereon had such aircraft been made, sold, delivered and accepted under the License Agreement between the parties dated as of the 24th day of March 1944." * * * [Emphasis supplied.] [At 10, section 5.]

By reason of the last sentence, some aircraft license payments only amounted to \$445.82 per aircraft (1946 for Navy aircraft). But the \$500 figure was the predominant measure used. The 2% rate provided in an earlier paragraph of the agreement was not used at all.

The .66% rate is computed by using a fraction, \$500 over \$75,212. The average cost per helicopter in 1948 was \$75,212. It is interesting to note that the wartime rate was .85%.

which footnote 16 aforequoted belongs, the majority again makes a broad, strong statement:

> * * * The question remains whether the royalty should be set at a still lower figure, as defendant requests. This is not a simple skein to unravel, *but our conclusion is that the 2% rate should be accepted for all infringements.* The main reason is that, quite unlike the 2% figure, there is no indication from Autogiro that any lessor royalty was ever satisfactory, acceptable, or offered generally. [Emphasis supplied.] [At page 14.]

So one can only conclude that there is an inconsistency at this very important point of the majority opinion. This inconsistency caused the majority a problem in setting its post-1949 rate. The 1949 fully paid-up license to United was less than 2%. The majority answered defendant's argument for a lower than 2% rate for the post-1949 rate as follows:

> * * * The patentee's situation was unusual in that the Government was the dominant consumer of the articles embodying the patents, and this put the plaintiff to a disadvantage since it was very unlikely that an injunction could be obtained against United (or other infringes). We therefore discount, in the absence of any expression of contentment, Autogiro's granting to United, at the latter's strong insistence, of a paid-up license in 1949. No offers to other companies, stemming from this paid-up license, were made by plaintiff. The theoretical constructions of defendant's expert—who reached a figure which was only a fraction of 2%—were based in largest part on the paid-up license; *the expert did not consider plaintiff's hobbled position in trying to determine what the "parties might well have agreed upon"* (*Saulnier* v. *United States, supra,* 161 Ct. Cl. at 227 (1963)) *if Autogiro had been relatively free of this onesided litigation pressure.* * * * [Emphasis supplied. Footnotes omitted.] [At pp. 14-15.]

Since the majority first refers to dominant Government consumption, injunctions and one-sided litigation pressure, the majority was referring to Governmental actions under 35 U.S.C. §§ 89-96, popularly known at the Royalty Adjustment Act of 1942.[2] It

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[2] 35 U.S.C. § 89 reads as follows:

"§ 89. *Adjustment of royalty rates; notice, remedies against licensee*

"To aid in the successful prosecution of the War, whenever an invention, whether patented or unpatented, shall be manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder, and such license includes provisions for the payment of royalties the rates or amounts of which are believed to be unreasonable or excessive by the head of the department or agency of the Government which has ordered such manufacture, use, sale, or other disposition, the head of the department or agency of the Government concerned shall give written notice of such fact to the licensor and to the licensee. Within a reasonable time after the effective date of said notice, in no event less than ten days, the head of the department or agency of the Government concerned, shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production, and shall authorize the payment thereof by the licensee to the licensor on account of such manufacture,

use, sale, or other disposition: *Provided, however,* That the licensee or licensor, if he so requests within ten days from and after the effective date of said notice, may within thirty days from the date of such request present in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined, fixed and specified as aforesaid, and any order fixing and specifying the rates and amounts of royalties shall be issued within a reasonable time after such presentation. Such licensees shall not after the effective date of said notice pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition. The licensor shall not have any remedy by way of suit, set-off, or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery of royalties fixed in said order, shall be as provided in section 90 of this title. Written notice as provided herein shall be mailed to the last known address of the licensor and licensee and shall be effective upon receipt or five days after the mailing thereof, whichever date is the earlier. Oct. 31, 1942, c. 634, § 1, 56 Stat. 1013."

Section 90 mentioned above provides for suit by any licensor aggrieved by an order issued under section 89 in this court.

The majority in footnote 13 states:

"We refer to the fact that a patentee cannot obtain an injunction against a government-supplier or government-contractor and is confined, for his exclusive remedy, to a suit for 'reasonable and entire compensation' (*i.e.* monetary compensation) against the United States under 28 U.S.C. § 1498. These suits generally take a long time to come to their conclusion and the patentee, even if he prevails, normally obtains no compensation until the litigation is at an end. (The reference is not to the Royalty Adjustment Act, *see* note 12, *supra.*)"

The majority's emphasis is that "a patentee cannot obtain an *injunction against a government-supplier or government contractor and is confined* * * * *to a suit* * * * under 28 U.S.C. § 1498." The facts are undisputed that during pre-1949 and post-1949 periods substantial non-governmental commercial sales were made by United. Commercial sales are clearly not covered by 28 U.S.C. § 1498. *Systron-Donner Corp.* v. *Palomar Scientific Corp.,* 289 F. Supp. 148 (1965). *Systron-Donner* was very similar to the present case in that both governmental and commercial sales were involved. The court held that 28 U.S.C. § 1498 had no application in a suit in a federal district court for patent infringement seeking the usual injunctive relief based on commercial sales only. So under the facts of this case, 28 U.S.C. § 1498 did not actually have the restriction preventing an injunctive suit as the majority feared. If the plaintiff was interested in an early decision regarding validity of plaintiff's patents by way of an injunctive suit, plaintiff could have immediately started an injunctive suit for patent infringement in a federal district court based on these commercial sales.

is interesting to note that in 1948 this court decided that said sections 89-96 do not apply where there is "no license agreement with anyone for the payment of a royalty * * *." *Fulmer* v. *United States,* 111 Ct. Cl. 591, 593, 77 F.Supp. 927, 928 (1948). We have quoted section 89 fully in the margin to show that the mechanics of the Act call for royalties to be paid periodically. Where the royalty is paid in a lump sum, there is no royalty payment which the agency head may act upon to permit section 89 to operate. United's 1947 license expired as of the end of 1948 and since its post-1949 license was a fully paid-up license upon execution, no royalties were payable under any agreement. This court in *Fulmer* v. *United States, supra,* held:

> Plaintiff has no cause of action under the terms of Royalty Adjustment Act of October 31, 1942 (35 U.S.C.A. 89-96), *Ivor B. Yassin* v.

> *United States*, 110 Ct. Cl. 211. *Plaintiff had no license agreement with anyone for the payment of a royalty for the use of his alleged invention in connection with the manufacture of articles for the United States, and there could not, therefore, be an order by the head of a department or agency upon which that act conditions the right to sue.* An allegation that defendant used plaintiff's unpatented device is not, therefore, sufficient to bring plaintiff's case within the terms of that Act. [Emphasis supplied.] [111 Ct. Cl. 593, 77 F. Supp. at 928.]

See, also, *Yassin* v. *United States*, 110 Ct. Cl. 211, 228 76 F. Supp. 509, 519, (1948). The exact date of the *Fulmer* decision was June 1, 1948, and *Yassin* was decided March 1, 1948. It is clear that plaintiff in 1949 drafted its fully paid-up license to United under the *Fulmer* holding of this court to free itself of any possible litigation under said 35 U.S.C. §§ 89-96. So plaintiff was not under the "one-sided litigation pressure" referred to by the majority. The 1949 paid-up license from plaintiff to United provided as total consideration the sum of $325,000. Even if plaintiff had raised the amount from $325,000 to $5 million and United agreed to such raise, since it was a paid-up license it was not subject to the Royalty Adjustment Act. I shall hereafter again refer to the 1949 fully paid-up license under the damage computation aspects of this dissent.

So if the majority meant that the 2% rate was a flat rate "for all infringements" and that for the post-1949 years it was a flat 2% rate with no lower rate

permitted, I disagree. I agree with the defendant that the 1947-1948 offers only set a "*maximum ceiling of 2%*" and that a lower percentage rate figure was permissible. I take this position not only on my foregoing *Fulmer* rebuttal but on grounds more fundamental and basic which I shall next discuss.

The United license by plaintiff contained in addition to the 2% rate clause and others the following most-favored licensee clause:

> Section 11. If, under similar circumstances and otherwise on substantially the same terms and conditions as this Agreement, a license shall hereafter be granted by Autogiro for the manufacture of man-carrying aircraft with sustaining rotors under all or substantially all the Patents of Autogiro at a royalty rate or rates lower than the corresponding rate or rates hereinabove provided, Autogiro will promptly notify Licensee of the grant of such license and *Licensee shall be entitled to the benefit of such lower rate or rates for its operations hereunder subsequent to such grant*, * * *. [Referred to as the *most-favored licensee clause.*] [Emphasis supplied.]

The record shows that the only three other substantial manufacturers in the United States then in the field competing with United were Piasecki, McDonnell and Bell. The package license written outlines and/or drafts containing the 2% rate offer separately sent in 1947 and 1948 to Piasecki, McDonnell and Bell contained the identical above-mentioned most-favored licensee clause. The early Kellett license also contained the same clause. The 1943 and 1944

Firestone licenses extensively discussed in the trial judge's opinion in this case contained the same most-favored licensee clause. It is axiomatic that competitors must be dealt with fairly and equally and in all of its licensees and proposals plaintiff recognized this basic principle by using and making it known that it offered in its future license the most-favored license clause. Plaintiff well knew that Piasecki, McDonnell and Bell were competing with United in the helicopter market and that Piasecki, McDonnell and Bell would not agree to a license without the protection of the most-favored licenseee clause. Plain elementary economics of marketing and the very evidence in this case prohibit any other assumption.

Defendant has taken a license by eminent domain in any applicable patent or patents from plaintiff by reason of the unauthorized making or use of the patented invention(s) in each aircraft at the time of Governmental acceptance or use of that aircraft. *Calhoun* v. *United States*, 197 Ct. Cl. 41, 453 F.2d 1385 (1972); *Regent Jack Mfg. Co.* v. *United States*, 167 Ct. Cl. 815, 337 F.2d 649 (1964). This license, under 28 U.S.C. § 1498, should be the equivalent of what the parties "might well have agreed upon," *Saulnier* v. *United States*, 161 Ct. Cl. 223, 227, 314 F.2d 950, 952 (1963), "or "[w]hat would the parties have taken and paid if the matter had come to an express agreement?" *Olsson* v. *United States*, 87 Ct. Cl. 642, 659, 25 F. Supp. 495, 499 (1938), quoting from *Wood* v. *United States*, 36 Ct. Cl. 418, 426 (1901). In order to make such a determination, the

court should "place [itself] in the position occupied by the contracting parties * * *." *Berdan Fire-Arms Mfg. Co.* v. *United States*, 26 Ct. Cl. 48, 80 (1890) (implied contract case cited with approval in *Olsson*, 87 Ct. Cl. at 659-660, 25 F. Supp. at 499). In the past when the court has done this, it has considered as one of the most important factors or "bargaining points" the general licensing practice in the particular industry and, more precisely, the patent holder's other arrangements with parties in a similar bargaining position as the litigants. *Richmond Screw Anchor Co.* v. *United States*, 67 Ct. Cl. 63, 72 (1929); *Breese Burners, Inc.* v. *United States*, 140 Ct. Cl. 9, 17-18 (1957). In the case before us plaintiff, by its own documents accompanying the 1947-1948 offers, included the most-favored licensee clause. Defendant relies not only on custom or practice in the industry but on the documents in evidence showing that plaintiff offered each competing manufacturer the most favored licensee clause. A stronger case could not have been shown by defendant.

The majority held with relation to the 2% offer that it was the market rate because "the significant fact is that plaintiff made the offer and made it widely." The most-favored license clause accompanied each of the 2% rate offers so if the offers of the 2% rate were "offered generally," the accompanying most-favored licensee clause was also "offered generally," sufficient to tie the two together. They together established a lower rate than the 2% rate if plaintiff offered a preferred rate to one of the manu-

facturers. The result was that although the 2% rate offer was made, plaintiff also offered a lesser rate to all substantial manufacturers where the facts showed that any one of the manufacturers was offered a preferred rate by plaintiff. The majority felt and stated that the lower than 2% rate problem is "not a simple skein to unravel" because it did not take the most-favored licensee clause into consideration. I believe that if the majority had considered the most-favored licensee clause and had made it a part of the 2% offer, the unraveling would have been easy and without difficulty.

The evidence is undisputed that United was offered preferred rates by plaintiff. Autogiro in 1947-1948 allowed United a preferred $500 per aircraft advantage. We have heretofore discussed this 1947-1948 preference so I will not dwell on it again except to state that even without considering and taking into account the most-favored license clause, the majority felt that the $500 advantage (.66% rate) given by plaintiff to United must also be given defendant on the total damage question posed by this phase of the litigation. The majority must have felt the unfairness resulting from a refusal to allow the .66% rate because it was plaintiff which granted this lower .66% rate and plaintiff must suffer the consequences of its offering such a low rate.

Plaintiff also entered into a written agreement in 1949 with United for a lesser rate than the 2% rate. The majority found:

> * * * In 1949, after some months of negotiation triggered by United's disinclination to let the 2% rate go into effect, plaintiff granted United a paid-up license at considerably less than 2% per aircraft. * * * [At page 11.]

The paid-up license transaction in 1949 was initiated in 1948 with an offer by plaintiff to United to sell its entire patent holdings for $750,000. This is an established fact in this case. I do not take this self-valuation by plaintiff of the total worth of its patents lightly just because it was only an offer. The offer finally ended by plaintiff granting a paid-up license in 1949 to United for $325,000. I consider the $750,000 offer highly prejudicial to plaintiff because of its connection to the $325,000 transaction. A detailed analysis of the evidence relating to the transaction which started with the $750,000 proposal by plaintiff shows that in a July, 1948, letter, United had expressed its firm conviction that a total of $325,000 in royalties was the most that United and its licensee Nash, considered as a single licensee, should be expected to pay for a paid-up license under plaintiff's patent and that plaintiff should look to other licensees or its own manufacture for any additional value ascribed to the patents. United and its licensee Nash paid total royalties of $136,477.98 for helicopter sales to the defendant under the wartime 1943 and 1944 package licenses. United also paid royalties for aircraft delivered by the end of 1948 under its 1947 package agreement of $67,783.28, of which $46,283.28 were royalties on sales to the Government.

Accordingly, plaintiff effectively accepted United's position in principle, for United paid the balance of the total sum of $325,000, or $120,738.74, in January, 1949, rather than spread it out over the three years 1949 to 1951, for a fully paid-up package license under all of plaintiff's 224 utility (including all 11 in suit) and three design patents then issued and under 52 pending applications. The arithmetic is exact and is as follows:

$136,477.98	Paid under 1943 and 1944 licenses.
+67,783.28	Paid under 1947 license.
$204,261.26	
$325,000.00	Total price.
—204,261.26	See above addition.
$120,738.74	Difference.

We quote the above arithmetic to show that the sale price of $325,000 was not a figure picked out of the clear sky. The $209,261.26 was based on past royalties paid under prior licenses of United. This prevents any argument by plaintiff of guessing on the part of defendant because the arithmetic is exact. The paid-up license cost United $120,738.74. These breakdowns of figures are from plaintiff's own documents produced for the record in this case. It is important to observe the above arithmetic because, as it is hereafter shown, the defendant's expert found this analysis to be material in his opinion testimony in support of his views as to what the damages to plaintiff should be.

The majority, after unanimously rejecting the trial judge's single-taking theory, has in effect agreed with defendant that the 2% rate in the 1947 license to United and in plaintiff's offers to others in 1947-1948 is where this court should start. The majority in effect held that the material time frame was 1947-1948, when the offers were made. I agree with the majority.

The question now is what is the percentage below the 2% rate? When plaintiff's offers to all manufacturers are considered in the above time reference, one important factor, fundamental in market evaluation, looms above all the others. After United, the leader in the helicopter industry, had received its 1949 paid-up license, no other manufacturer could pay substantially more and expect to compete in either the Government or commercial market place. Those postwar arrangements, when properly compared and analyzed in light of the most-favored licensee clause, must operate under said clause to place a ceiling lower than the 2% rate on plaintiff's recovery. To view the case otherwise is simply to ignore the market value which plaintiff itself placed on a license under its patents.

When considering the merits of a proposed compensation scheme, it is often the practice to compare the recovery under that scheme to extrapolations from other agreements or transactions. Such comparisons give the court a guide to the comparative fairness of the scheme. *Saulnier* v. *United States*, 161 Ct. Cl. at 226-227, 314 F. 2d at 951-952.

In the period from 1947 to 1948, on an aircraft which cost basically $75,000, United was paying a running royalty of $500 per aircraft. Clearly, United felt that continuation of such a running royalty beyond 1949 was excessive. However, even if a similar running royalty was applied to the aircraft in this accounting, plaintiff's recovery would be far below the $24 million awarded by the trial judge or even the $12.8 million plaintiff would receive under its self-imposed 2% ceiling.

The average cost of the over 2,200 aircraft in this accounting is $287,273. Applying to each of these aircraft a running royalty of basically the same level as under the 1947 United agreement, *i.e.*, ($287,273÷$75,000)X$500=$1,915, the plaintiff would receive a basic royalty compensation of $4,264,705. Clearly, this is more than United was willing to pay and, thus, is more than its competitors could reasonably afford to pay. However, this figure does demonstrate the unreasonableness of the $12.8 million figure under the flat 2% rate ceiling.

Relative to the use of expert testimony, Congress, under sections dealing with patent litigation in 35 U.S.C. § 284 (1952), specifically provided as follows:

> The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

And it is not only by statute but the Court as shown in *Sinclair Refining Co.* v. *Jenkins Petroleum Process Co.*, 289 U.S. 689 (1933), has encouraged reliance on

expert testimony. In patent litigation with relation to the use of expert testimony to aid the Court in assessment of damages, the Court in *Sinclair Refining Co.*, supra at 697-698, stated that even in cases where there are no actual sales, expert testimony may be allowed:

> * * * A patent is a thing unique. There can be no contemporaneous sales to express the market value of an invention that derives from its novelty its patentable quality. Cf. *United States* v. *Swift & Co.*, 270 U.S. 124; *Todd* v. *Gamble*, 148 N.Y. 382; 42 N.E. 982. But the absence of market value does not mean that the offender shall go quit of liability altogether. The law will make the best appraisal that it can, summoning to its service whatever aids it can command. *United States* v. *Swift & Co.*, *supra; U.S. Frumentum Co.* v. *Lauhoff*, 216 Fed. 610; *Industrial & General Trust, Ltd.* v. *Tod*, 180 N.Y. 215, 232; 73 N.E. 7; Sedgwick, Damages, 9th ed., vol. 1, pp. 491, 504. At times the only evidence available may be that supplied by testimony of experts as to the state of the art, the character of the improvement, and the probable increase of efficiency or saving of expense. *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641, 648, 649; *Suffolk Co.* v. *Hayden*, 3 Wall. 315, 320; *U.S. Frumentum Co.* v. *Lauhoff*, *supra*. * * *

Fortunately, in this case there was an admitted, fully paid-up sale of patent rights by plaintiff to United. The use of the expert by defendant herein was not to establish the sale. His testimony was an analysis of

the admitted sale by plaintiff. This is a much stronger case for expert testimony than in *Sinclair Refining Co.* and the evidence in this case is on much firmer ground than what this court had to rely on in *Saulnier* v. *United States, supra.* In ascertaining damages resulting from defendant's use of aircraft canopy assembly patents owned by plaintiff, this court said in *Saulnier*:

> Of course, the best guide for the determination of just compensation are the royalties agreed upon between the patentee and licensees in arm-length transactions. Unfortunately, there are no commercial licensees in this case, but the settlement between plaintiff and the British Government does establish a guide. This was negotiated after the war was over. Great Britian was a government foreign to plaintiff, who was a Frenchman. Negotiations lasted over a period of 18 months. A price was agreed upon of $14 per plane for from 26,000 to 27,000 planes, a total consideration of 99,090 British pounds. At the then rate of exchange, this amounts to $376,-542. [161 Ct. Cl. at 226, 314 F.2d at 952.]

In other words, the use of expert witnesses is encouraged in this field and much discretion is allowed the courts in the use of these experts. In this case we had the benefit of a true expert witness, Mr. Glassman (defendant's chief witness), and the 1949 fully paid-up license.

With relation to expert testimony introduced by the parties in this case, it appears that the plaintiff submitted expert testimony to prove its claim for

damages under its single-taking theory. The evidence plaintiff produced was relevant under the Firestone Tire and Rubber Company license. The facts and theory involved in plaintiff's approach did not fit into or answer defendant's entirely separate and different approach. Defendant brought forward Mr. Glassman as its expert witness to offer expert testimony in support of its computation of plaintiff's damages based on facts surrounding the United licenses of 1947 and 1949. It happens that as the case now turns out, we have uniformly rejected plaintiff's single-taking approach and plaintiff is without evidence to rebut Mr. Glassman's opinion evidence. Plaintiff in its brief before this court, answering Mr. Glassman's expert testimony, does not point to any expert testimony produced by plaintiff to refute Mr. Glassman's expert testimony. Mr. Glassman's opinion testimony remains uncontroverted. It cannot be refuted because it is plain arithmetic based on figures in the record.

Mr. Glassman has the following qualifications. He possesses both a law degree and an engineering degree. He worked in the Patent Office for about four years, mostly as a Patent Examiner, and thereafter was employed by the Department of the Army in the Office of the Chief Signal Officer and later, after an Army reorganization, in the Army Materiel Command, performing patent work for the Army from 1945 for about 27 or so years. During the time when he was working in the Office of the Chief Signal Officer and, for part of the time, in the Army Materiel Command in connection with investigation of infringe-

ment claims and offers of licenses, he personally negotiated on behalf of the Government some 15 to 20 license agreements or settlements of infringement claims. He also reviewed about 1,000 proposed license agreements between United States companies and foreign companies pertaining to the export of data relating to munitions of war under State Department Export Control Regulations, which often involved the transfer of patent or data rights. Mr. Glassman also had responsibility for determining or investigating the propriety of royalty charges to Army contracts involving companies, including those in the aircraft industry such as Lockheed, Boeing-Vertol, and Hughes. He has previously given testimony in four other patent accounting cases to determine reasonable royalty rates in the Court of Claims. I am impressed by his qualifications. These qualifications are substantial when compared to the qualifications of plaintiff's witnesses. Plaintiff's chief expert witness, H. F. Gregory, testified regarding damages on a patent-to-patent basis. It is clearly not relevant under the present status of the case. It is interesting to note that he didn't know what a "file wrapper" was. He had no prior experience in patent procurement.

Mr. Glassman used the methodology and calculations shown in the margin.[3] Clearly, Mr. Glassman's

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[3] Mr. Glassman stated that royalty compensation in this case rests on:

(1) extrapolations from the 1947 and 1949 license agreements with United and royalty payments made thereunder.

(2) United's sales of helicopters actually delivered in the period from the first unauthorized use for which compensation is sought in this case (December 27, 1946) to December 31, 1948, and

(3) projected sales which plaintiff might reasonably anticipate for United from January 1, 1949, to the end of the accounting period in this case (May 27, 1964).

The 1947 license is the running royalty type, while the 1949 license is the paid-up type. Consequently, certain assumptions have to be attributed to plaintiff in negotiating the 1949 agreement in order to make extrapolations from both agreements. Mr. Glassman's approach was to take the facts known to the plaintiff in late 1948 and early 1949, including the two United agreements, and what the plaintiff might reasonably anticipate for helicopter orders for United after 1948 and arrive at a royalty rate that would be applicable to the accused helicopters purchased by the defendant in the period December 27, 1946, to May 27, 1964. So what are the facts that were known by the plaintiff during this period?

A. *The Facts*

1. In mid-October, 1948, the plaintiff's president knew that:

(a) United had received during fiscal year 1948 orders from the defendant for 85 helicopters at a total price of $6,393,000, an average of $75,212 per helicopter.

(b) United had received from July 1, 1948, to October 13, 1948, a period of .285 years, orders from the defendant for 37 helicopters for an unknown price.

(c) Accordingly, the plaintiff knew that 122 helicopters had been ordered by the defendant in the two periods (1,285 years).

2. The plaintiff's president knew in January, 1949, that during calendar year 1947, United had sold 22 helicopters to the commercial market for approximately $1,150,000 and during calendar year 1948 had sold 16 helicopters to that market for approximately $1,120,000, an average of 19 helicopters per year.

3. The plaintiff's president also knew in January, 1949, that:

(a) For the calendar years 1947 and 1948, United had paid the plaintiff a total of $63,500 in royalties under the

January 1, 1947, license on 127 helicopters *delivered* during that period. No royalties were paid for the period December 27-31, 1946.

(b) United had stated in a letter dated July 27, 1948, to plaintiff that modifications would have to be made in the January 1, 1947, license if it were to continue.

(c) On January 7, 1949, United and the plaintiff entered into a paid-up license, effective January 1, 1949, covering commercial and military helicopters for the sum of $120,738.74.

B. *Assumptions of Witness*

1. Since the known average cost per helicopter of 85 defendant helicopters referred to in A.1.(a) above was $75,212, he assumed that the cost figure would remain constant throughout the accounting period and that the number of helicopters procured by the defendant each year from United would remain constant (122 helicopters per 1.285 years, or approximately 95 helicopters per year). (In calculating an effective royalty rate, the assumption that the cost per helicopter remained constant works to the advantage of the plaintiff where the cost per helicopter *actually rose* in future years. This is due to the fact that the higher the projected procurement in C.3 below, the larger the denominator in C.7 and, accordingly, the smaller the royalty rate.) Over the entire accounting period of almost 17.5 years, the defendant actually procured 2,227 helicopters from contractors other than United, an average of 127 per year. 2. Since United sold 22 helicopters to the commercial market in 1947 and 16 in 1948, for an average of 19 per year, he assumed that United would sell 19 helicopters per year to the commercial market during the remainder of the accounting period (January 1, 1949-May 27, 1964) and that the unit price would remain the same as the unit price to the defendant, i.e., $75,212.

C. *The Calculations of Witness*

1. The periods referred to in A.1 (a) and (b) above, during which the defendant ordered 122 (85+37) helicopters from United, total 1.285 years.

2. The accounting period in this case is 17.5 years and extends from December 27, 1946, to May 27, 1964. This period includes 15.403 years that fall within the January 1, 1949, paid-up license with United.

3. Projected Sales by United to Defendant and Commercial Markets—January 1, 1949-May 27, 1964.

(a) *Defendant*

(1) (average number per year from A.1(c)) × (number of years) = total number of helicopters from January 1, 1949, to May 27, 1964); (122÷1.285) ×15.403 = 1,462.

(2) (total number in period) × (assumed price per helicopter) = (dollar sales); 1,462×$75,212 = $109,960,000 (rounded off to the nearest $10,000).

(b) *Commercial*

(1) (average number per year from A.2) × (number of years) = (total number of helicopters from January 1, 1949, to May 27, 1964); 19×15,403 = 293.

(2) (total number in period) × (assumed price per helicopter) = (dollar sales); 293×$75,212 = $22,040,000 (rounded off to nearest $10,000).

(c) Total, (a) + (b) = $132,000,000

4. Actual Sales by United in the Period December 27, 1946, to December 31, 1948.

(a) *Defendant*

(1946—December 27-31 only) (0+ (1947) $1,884,677+ (1948) $5,287.175 = $7,171,852.

(b) *Commercial*

(1946)—December 27-31 only) 0+ (1947) $1,510,000+ (1948) $1,120,000 = $2,630,000.

5. Total United States (actual and projected)—December 27, 1946, to May 27, 1964

From 3(c)	$132,000,000
From 4(a)	7,171,852
From 4(b)	2,630,000
	$141,801,852

6. Total Royalties Paid by United to Plaintiff

1946 (December 27-31, 1946)	0.00
1947 and 1948	$63,500.00
January 1, 1949, to May 27, 1964	120,738.74
	$184,238.74

analysis was soundly based. Plaintiff is certainly due no compensation more than 0.1299% of the trial judge's prices for the 2,227 aircraft involved in this accounting of $639,243,969, or the sum of $830,377.92, paid up as of January 1, 1949.[4] I am of the view that there should be entry of judgment in favor of plaintiff and against defendant of $830,500 together with $1,326,723.75 as interest, computed as of January 1, 1949 to the end of 1976, under the rates mentioned in IV. Delay Compensation of the majority opinion. The total judgment in my view in favor of plaintiff and against defendant should be $2,157,-223.75. There is no necessity of delaying this case any further.

BENNETT, *Judge*, concurring in part and dissenting in part:

Though I join in most of the court's opinion, I cannot accept the majority's reasoning in part II (Royalty Compensation) in support of the 2-percent royalty rate. Rather, I basically agree with Judge

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7. Royalty Rate

$$\frac{\text{(Total Royalties)}}{\text{(Total Sales)}} \times 100\% = \text{(Effective Royalty Rate)}$$

$$\frac{184{,}238.74}{141{,}801{,}852} = .1299\%$$

[4] This figure is obtained by multipling $639,243,969 by .1299%, which is $830,377.92. I recommend an even number of $830,500. The $639,243,969 was the trial judge's total for the 2,227 aircraft involved in this accounting.

Kashiwa's approach to that issue, and concur in his result. Like Judge Kashiwa, I find an unexplained, telling inconsistency between the majority's approval of the 2-percent rate for license compensation from 1946 onward, and its recognition that a $500-per-aircraft figure governed plaintiff's license agreement with United in 1947 and 1948. Even more undermining of the 2-percent rate is the fact that it was never actually used to measure a fair return to plaintiff on its patents; that rate was neither accepted by any other potential licensees nor allowed to go into effect under the 1947 United license agreement. The 2-percent figure may well have been satisfactory to plaintiff, but then so was the $500-per-craft rate, and so further, as Judge Kashiwa demonstrates, was the return received under the 1949 paid-up license. Accordingly, there is no warrant for the majority's conclusion that a 2-percent compensation level should apply on the theory that no "lesser royalty was ever satisfactory, acceptable, or offered generally." Following Judge Kashiwa, I think that the 1949 paid-up license agreement was not so clearly the product of "one-sided litigation pressure," the assumption used by the majority to brush aside evidence that could lead to a more than tenfold reduction in plaintiff's recovery. That agreement should be taken into account, in keeping with the economic reality embodied in the most favored licensee" clause of the typical royalty agreement that plaintiff offered to potential licensees. As Judge Kashiwa explains, "[a]fter United, the leader in the helicopter industry, had re-

ceived its 1949 paid-up license, no other manufacturer could pay substantially more and expect to compete in either the Government or commercial market place." Defendant is unquestionably entitled, as a matter of law as well as by analogy to the "most favorable licensee" provision, to enjoy a royalty rate no less favorable than any of plaintiff's licensees. The impact of the paid-up license was carefully and properly considered in the unrebutted testimony of defendant's expert witness Glassman, reaching a just compensation rate far less than 2 percent and more in line with that stated in Judge Kashiwa's opinion.

APPENDIX C

IN THE UNITED STATES COURT OF CLAIMS

No. 50328

[Filed Mar. 4, 1977]

STEPHEN PITCAIRN, AGENT (SUBSTITUTED FOR AUTOGIRO COMPANY OF AMERICA)

v.

THE UNITED STATES

J. Edward Shinn, attorney of record for plaintiff.

B. Frederick Buchan, Jr. and *Thomas J. Scott*, with whom was *Assistant Attorney General Rex E. Lee*, for defendant.

Before DAVIS, *Judge*, Presiding, COWEN, *Senior Judge*, SKELTON, NICHOLS, KASHIWA, KUNZIG and BENNETT, *Judges, en banc.*

This case comes before the court on defendant's motion for rehearing and plaintiff's response; plaintiff's motion for leave to file a response, and plaintiff's response to defendant's reply to plaintiff's motion for rehearing, etc.; defendant's motion for leave to file its second motion for rehearing; defendant's

second motion for rehearing; and plaintiff's response to defendant's motion for leave to file its second motion for rehearing and to defendant's second motion for rehearing. These various matters have been considered *en banc* and without oral argument. They are disposed of as follows:

1. Plaintiff's motion for rehearing is granted to the following extent and is otherwise denied:

(a). On page 11 of the slip opinion, second sentence, delete "of the airframe price" and substitute "of the total retail sale value (including engine and standard equipment)."

(b). In finding 467, last paragraph (as added by the court), third and seventh sentences, in both places delete "of the airframe price" and substitute "of the total retail sale value (including engine and standard equipment)."

(c). As provided in the original *per curiam* opinion the case remains remanded to the Trial Division for the computation of the precise amount of recovery, but we emphasize that, insofar as the basic compensation is concerned,[1] the court feels that no further evidence or testimony is necessary but that the amount can be calculated from the court's opinion and findings, taken together with the material (except for the royalty-percentages and resulting monetary figures) in Judge Lane's findings with respect to "Royalty Bases" (Judge Lane's findings 475-516).[2]

[1] Evidence may possibly but not necessarily be called for with respect to the appropriate rate of delay compensation in 1976 and 1977.

(d). The trial judge to whom the case is assigned is directed to determine the amount of recovery as expeditiously as possible, and he may, in his discretion, call upon the parties for the written submissions suggested in paragraph B of plaintiff's motion for rehearing—or any other submissions or procedures the trial judge deems helpful in the expeditious computation of the amount of recovery.

(e). With respect to "Spare Parts" and "Experimental Use", the court deems those matters fully determined by Parts IV and VI, respectively, of its *per curiam* opinion.

2. Plaintiff's motion for leave to file a response to defendant's reply to plaintiff's motion for rehearing is granted and has been considered.

3. Defendant's first motion for rehearing is denied.

4. Defendant's motion for leave to file its second motion for rehearing is granted.

5. Defendant's second motion for rehearing is denied except that, in the paragraph of the *per curiam* opinion beginning on page 20 and ending on page 21, the second sentence is deleted in full, and the present third and fourth sentences are modified to read as follows: "But plaintiff did not include attorneys' fees in his requested reasonable and entire compensation before the trial judge, and no determination with

[2] The court did not adopt those findings because many of them incorporated Judge Lane's determination of the reasonable royalty which differed from that the court determined.

respect to attorneys' fees, witness fees and expenses is called for from the court."

IT IS SO ORDERED.

BY THE COURT

/s/ Oscar H. Davis
OSCAR H. DAVIS
Judge, Presiding

APPENDIX D

IN THE UNITED STATES COURT OF CLAIMS

[Filed Jul. 12, 1977]

STEPHEN PITCAIRN, AGENT (SUBSTITUTED FOR AUTOGIRO COMPANY OF AMERICA)

v.

THE UNITED STATES

J. Edward Shinn, attorney of record, for plaintiff. *William P. Cole*, of counsel.

B. Frederick Buchan, Jr. and *Thomas J. Scott, Jr.*, with whom was *Assistant Attorney General Barbara Allen Babcock*, for defendant. *Joseph A. Hill* and *Vito J. DiPietro*, of counsel.

Before DAVIS, *Acting Chief Judge*, COWEN, *Senior Judge*, NICHOLS, KASHIWA and BENNETT, *Judges*.

ORDER

This case comes before the court on defendant's exception, filed July 8, 1977, to the memorandum report on computation of amount of recovery, filed June 24, 1977, by Trial Judge Francis C. Browne, pursuant to the court's order of June 21, 1977, and

the trial judge's order, filed June 29, 1977, correcting the said memorandum report. Upon consideration thereof, together with plaintiff's response in opposition thereto, without oral argument, since the court agrees with the trial judge's memorandum, findings, and conclusion of law, filed June 24, 1977, as corrected and revised by his memorandum order, filed June 29, 1977, copies of which have been furnished to the parties, it hereby affirms and adopts the trial judge's memorandum and computation, as corrected and revised, as the basis for its judgment in this case.

IT IS THEREFORE CONCLUDED AND ORDERED that plaintiff is entitled to judgment, as reasonable and entire compensation for defendant's taking of plaintiff's patent rights, and judgment is hereby entered for plaintiff against defendant, in the basic amount of fourteen million, four hundred and forty thousand, seven hundred and seventy-two dollars ($14,440,772), plus sixteen million nine hundred and eighty-two thousand, three hundred and sixty-two dollars ($16,982,362) delay compensation up to and including June 30, 1977, for a total of thirty-one million, four hundred and twenty-three thousand, one hundred and thirty-four dollars ($31,423,134), plus further delay compensation to be computed on fourteen million, four hundred and forty thousand, seven hundred and seventy-two dollars ($14,440,772) at a delay compensation rate of 7.5 percent per annum ($2,967.25 per day) from July

1, 1977 to and including the date of payment of the judgment.

BY THE COURT

/s/ Oscar H. Davis
OSCAR H. DAVIS
Acting Chief Judge

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No. 77-665

IN THE

Supreme Court of the United States

October Term, 1977

UNITED STATES OF AMERICA,

Petitioner

v

STEPHEN PITCAIRN, AGENT FOR THE FORMER SHAREHOLDERS OF AUTOGIRO COMPANY OF AMERICA,

Respondent

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

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INDEX.

TABLE OF CITATIONS.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-665

UNITED STATES OF AMERICA,

Petitioner

v.

STEPHEN PITCAIRN, AGENT FOR THE FORMER SHAREHOLDERS OF AUTOGIRO COMPANY OF AMERICA,

Respondent

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

Respondent opposes, and requests this Honorable Court to deny the Government's subject Petition.

Since the Petition fails to establish Jurisdiction under 28 U. S. C. 2101(c), in accordance with Rule 24 we deal first with that jurisdictional issue in our **Statement on Jurisdiction** and the **Argument** thereon (pp. 3-14, infra), before responding to the Government's arguments on the Questions Presented by the Petition.

OPINIONS AND RELATED ORDERS BELOW

The Opinion of Judge Donald E. Lane of the U. S. Court of Customs and Patent Appeals, sitting by special designation of the Chief Justice as a Trial Judge of the U. S. Court of Claims, is set forth in Appendix A (pp. 1a-31a) of the Government's Petition.

The *Per Curiam* Opinion, the Conclusion of Law, and the Judgment of the Court of Claims, as **formally entered** December 15, 1976, is set forth in Appendix B (pp. 32a-72a) of the Petition. However, in that Appendix Petitioner has failed to include the caption **CONCLUSION OF LAW** as set forth in the decision of December 15, 1976, which should appear just before the last paragraph of the Opinion on page 71a of that Appendix. [See 547 F. 2d 1106, 1126]

The Order of the Court of Claims filed March 4, 1977 (on motions of the parties for rehearing) which modifies and supplements the Opinion and Judgment of December 15, 1976, is Appendix C (pp. 109a-112a) of the Petition.

The Opinion, Conclusion of Law and Judgment of December 15, 1976, as amended by the Order of March 4, is reported at 547 F. 2d 1106.

The Order of the Court of Claims filed June 21, 1977 (not yet reported), which further supplements the Opinion, Conclusion of Law and Judgment of December 15, 1976, as modified by the Order of March 4, is set forth in **Respondent's Appendix A,** infra, pp. 1a-4a.

The Order of the Court of Claims filed July 12, 1977 —by which judgment was entered for Respondent as to **the dollar amounts** of the basic (royalty) compensation and the delay compensation through June 30, 1977—is Appendix D (pp. 113a-115a) of the Petition.

JURISDICTION

Petitioner's statement on Jurisdiction is inaccurate and incomplete. The Petition fails to consider whether this Court has jurisdiction to entertain the Petition, despite the fact that the Chief Justice's Order of October 6, 1977 (which granted the Government an extension to November 9, 1977) was specifically made "*without prejudice to the Court's consideration of whether this application has been filed in time.*" Accordingly, Respondent submits the following **Statement on Jurisdiction.**

1. The jurisdiction of this Court under 28 U. S. C. 1255(1) to review cases in the Court of Claims is limited by the **provisions of 28 U. S. C. 2101(c),** to wit:

> "Any other appeal or *any writ of certiorari* intended to bring any judgment or decree in a civil action, suit or proceeding before the Supreme Court for review *shall be taken or applied for within ninety days after the entry of such judgment or decree.* A justice of the Supreme Court, for good cause shown, may extend the time for applying for a writ of certiorari for a period *not exceeding sixty days.*" [1]

2. On December 15, 1976 the Court of Claims rendered its *Per Curiam* Opinion, including its Conclusion of Law, **and entered its Judgment,** *with respect to the questions presented by the Petition* filed November 9, 1977. That Conclusion of Law states:

> "Upon *the foregoing opinion* and on the findings of fact which are *made part of the judgment herein,* the court concludes that the plaintiff is entitled to recover from the United States *in accordance with the*

1. Throughout, in all quotations, emphasis has been added.

opinion. Judgment is entered for plaintiff to that effect. The amount of recovery, including both the basic amount of compensation [2] and the delay compensation, *will be determined* pursuant to Rule 131(c) *under the opinion.*" [See Pet. App. B, p. 71a, last para.]

3. Following consideration of motions by the parties for rehearing and for modification of the Opinion, Conclusion of Law and Judgment, the Court of Claims issued its Order of March 4, 1977. That Order amended the Opinion, and also the Court's finding 467 (which is set forth in Respondent's Appendix B, infra, pp. 7a-10a) to specify the *royalty base* for the previously determined *2% royalty rate* as being "the total retail sale value (including engine and standard equipment)" instead of just "the airframe price." [See Pet. App. C., p. 110a, ¶s (a) &(b)]

4. In that Order of March 4, the Court of Claims also specified in paragraph (c) thereof [Pet. App. C, p. 110a]:

> "As provided for in the original *per curiam* opinion, the case remains remanded to the Trial Division for *the computation* of the *precise amount of recovery.* . . ."; namely, as specified in the Conclusion of Law set forth in paragraph 2, *supra.*

5. Pursuant to the Order of March 4, 1977, the Trial Judge filed his report on March 30, and the Government filed exceptions thereto on May 16, 1977.

6. On May 20, 1977, just 4 days after filing its exceptions to the Trial Judge's report of March 30, the Government filed its first Application for extension of time for filing a petition for writ of certiorari. In that Application —to which was appended the Opinion, Conclusion of Law and Judgment of December 15, 1976, and also the Order of March 4—the Governmment stated, **"The time for filing a petition for a writ of certiorari, unless extended, will expire on June 2, 1977"**; i.e., 90 days after the Court of Claims' Order of March 4. By the Chief Justice's Order of May 23, 1977, the Government's time for filing a petition for certiorari was extended for the full 60 days permitted under 28 U. S. C. 2101(c), *supra;* namely, "to and including August 1, 1977."

2. In its Opinion and Conclusion of Law, and in its subsequent Orders, the Court of Claims refers to Respondent's royalty compensation as its "basic amount of compensation" or "basic compensation." [Pet. App. C, p. 110a, ¶ (c); also Resp. App. A, infra, p. 2a, ¶ nos. 1 & 2; also Pet. App. D, p. 114a, line 18].

7. Following consideration of the Government's exceptions (as filed May 16) to the Trial Judge's report of March 30, the Court of Claims entered its Order of June 21, 1977, again remanding the case to the Trial Judge **"for recomputation of the amount of recovery"**, this time with specific "directions" including:

> "The 2% royalty rate should then be applied to the royalty base (as mandated by the Opinion of December 15, 1976)." [See Resp. App. A, infra, p. 2a, ¶ no. 4]

Neither the Government nor Respondent sought any reconsideration, rehearing or modification of that Order of June 21.

8. On June 24, 1977, the Trial Judge filed his report pursuant to the Court's Order of June 21 and the "directions" specified therein.

9. Although the Government again excepted to certain of the Trial Judge's recomputations of royalty, by its Order of July 12, 1977 the Court of Claims affirmed and adopted the Trial Judge's memorandum report and his

"recomputation of the amount" of Respondent's recovery pursuant to the Court's Order of June 21. By the Order of July 12 the Court of Claims entered its monetary judgment "for plaintiff against defendant in the basic [royalty] amount of $14,440,772", plus specified delay compensation. However, that Order made no modification in the determination of the Court of Claims regarding the 2% royalty rate as mandated by its Opinion and Judgment of December 15, 1976.

10. The Government did not file any petition for certiorari on or prior to August 1, 1977, to which date its time had been extended by the Chief Justice's Order of May 23. [see para. 6, *supra*] Nor did the Government, prior to August 1, apply for any further extension of time to file a petition for certiorari.

11. On September 30, the Government filed a second Application for extension of time for filing a petition for certiorari. In that Application, the Government stated, "We have now determined that it would be more appropriate to consider *whether to seek* certiorari in this case *in the context of the final judgment* rendered by the Court of Claims in the entire case on July 12, 1977." Although the Government appended to that second Application the Court of Claims' Opinion, Conclusion of Law and Judgment of December 15, 1976, and the Order of March 4, 1977, as well as the Order of July 12, 1977, **it did not append thereto the Court of Claims Order of June 21, 1977.**

12. On October 4, 1977, Respondent filed its Objection and Memorandum in Opposition to the Government's second Application for extension of time. The basis of that Objection was:

(a) that the time within which the Government could have filed a petition for certiorari, in compliance with the Chief Justice's Order of May 23 (see ¶ 6, *supra*), expired August 1, 1977;

(b) that this Court would therefore have no jurisdiction to entertain such a Petition if it were filed; and

(c) that this Court should therefore deny the Government's second Application for extension of time.

13. By Order of the Chief Justice dated October 6, 1977, the Government's time for filing a petition for certiorari was extended "to and including November 9, 1977, *without prejudice to the Court's consideration of whether this application has been filed in time.*"

ARGUMENT ON JURISDICTION

This Court is without jurisdiction to entertain the subject Petition, because it was not filed within the time allowed by law; namely, by August 1, 1977. Nor was it filed even by Septmeber 19, the latest conceivable date (i.e., 90 days after the Court of Claims' Order of June 21, 1977) any petition could have sought review of the 2% royalty rate as determined by the Opinion and Judgment of December 15, 1976, and as that rate had been specifically confirmed by the "directions" to the Trial Judge in the Order of June 21.

From the chronology of facts set forth in the **Statement on Jurisdiction** at pages 3-7, supra, Respondent respectfully submits that there can be absolutely no doubt that the subject Petition filed November 9, 1977, was not filed within the period allowed under 28 U. S. C. 2101(c), supra.

Moreover, the Petition itself completely justifies the denial thereof on that ground. Thus, at page 2, under **JURISDICTION** the Petition states, "The Court of Claims *announced its opinion with respect to the questions presented here* on December 15, 1976." The Conclusion of Law included in that Opinion specifies:

(1) "the opinion . . . [is] made a part of the judgment",

(2) "the planitiff is entitled to recover from the United States in accordance with the opinion", and

(3) "Judgment is entered for plaintiff to that effect."

Therefore, the questions presented by the Petition are based entirely on the Opinion and Judgment of December 15, 1976.

This is further substantiated by the statement in the footnote on page 1 of the Petition:

> ". . . the trial judge's findings of fact or his two opinions on remand concerning the computation of damages . . . *do not bear* upon the questions presented."

That the questions presented by the Petition are based completely on the Opinion and Judgment of December 15, 1976, is further substantiated by the fact that nowhere in the Petition is there even a suggestion that any of the subsequent proceedings before, or Orders of, the Court of Claims made any change in respect to **the 2% royalty rate as determined by the decision of** December 15, 1976.

Moreover, the Government has also previously taken the position that the Opinion and Judgment of December 15, 1976, as modified by the Order on rehearing of March 4, 1977, determined the period for filing a petition for certiorari in this matter. Thus, in its first Application (filed May 20, 1977) for extension of time, the Government premised that Application on that Opinion and Judgment, as modified by the Order of March 4, and stated therein:

> "The time for filing a petition for a writ of certiorari, unless extended, will expire on June 2"; viz., 90 days after March 4.

Based on that Application, including its above-quoted statement, the Government was granted the full 60-day extension permitted under 28 U. S. C. 2101(c) by the Chief Justice's Order of May 23; namely, "to and including August 1, 1977." [See p. 5, ¶ 6 supra] Nevertheless, the Government failed to file any petition within the period of that extension, although the "Questions Presented" by the petition as filed November 9, 1977 **are admittedly** premised on the Court's Opinion and Judgment of December 15, 1976.

Even if it were assumed, *arguendo*—which the Petition does not suggest—that there was any uncertainty or ambiguity in the Court of Claims' Opinion and Judgment of December 15, 1976, regarding the 2% royalty rate as determined thereby, any such uncertainty or ambiguity was settled definitively by the Court of Claims' Order of June 21, 1977; specifically by the "direction" therein to the Trial Judge "for recomputation" of Respondent's royalty compensation:

> "The 2% royalty rate should then be applied to the royalty base (as mandated by the opinion of December 15, 1976)."

It is beyond question that that Order of June 21, 1977 **—with respect to which neither party sought rehearing,**

reconsideration or modification—fixed once and for all the final date by which a petition for certiorari in this matter could be taken; namely, 90 days after the date of that Order, i.e., by not later than September 19, 1977.

As the subject Petition was not filed until November 9, 1977, it is too late under the Chief Justice's Order of May 23, and also too late in relation to the Court of Claims' Order of June 21, 1977.

The Government purports to rely, for the timeliness of its Petition, on the Court of Claims' Order of July 12, 1977. However, by that Order [Pet. App. D, pp. 113a-115a] the Court of Claims merely entered its monetary judgment for Respondent. Moreover, the Government does not even suggest in its Petition that the Order of July 12, 1977 made any modification in the determination of the Court of Claims regarding the 2% royalty rate, as mandated by its Opinion and Judgment of December 15, 1976 and as confirmed by its supplemental "directions" Order of June 21, 1977. Therefore, the Order of July 12, 1977 did not start anew the period within which Petitioner could seek review on the Court of Claims' determination of the 2% royalty rate as settled by its Opinion and Judgment of December 15, 1976.

The Controlling Principle of Law Regarding the Jurisdiction of This Court Under 28 USC 2101(c).

Unless a petition for certiorari is filed within the period allowed by law, i.e., as prescribed by 28 U. S. C. 2101(c) [see page 3, *supra*], the Supreme Court is without jurisdiction to entertain the petition or to review the lower court's judgment upon which the questions presented by the petition are premised. *Department of Banking, etc. v. Pink*, 317 U. S. 264, 63 S. Ct. 233 (1942); *Federal Trade Commission v. Minneapolis-Honeywell Regulator Co.*, 344 U. S. 206, 73 S. Ct. 245 (1952).

Upon that principle, the subject Petition should be denied in light of the facts set forth in Respondent's **Statement on Jurisdiction** at pages 3-7, *supra.*

In *Pink, supra,* this Court dismissed the petition for certiorari "on the ground that it was not filed within the time provided by law;" namely, within three months (as then imposed by 28 U. S. C. 350, the predecessor of 28 U. S. C. 2101(c)), from the order of the New York Court of Appeals dated June 18, 1942 affirming the earlier judgment of the Supreme Court of New York.

The following pronouncements in *Pink, supra,* are particularly applicable to the factual situation in the present case. Thus, with respect to the timeliness of petitions for certiorari, "for the guidance of the Bar" the Court referred to the practice in some earlier cases in which the period for applying for certiorari "has on occasion been computed not from the judgment or the order of the New York Court of Appeals, but from the judgment subsequently entered by the lower court upon the Court of Appeals' remittitur." Regarding that practice, this Court went on to say:

> "This practice, which is a departure from the rule applied to cases from other states, is inconsistent with our many decisions on the nature of a final judgment under § 237 of the Judicial Code, 28 U. S. C. § 344, 28 U. S. C. A. § 344, and cannot be sanctioned. See especially Chief Justice Waite's opinion in Mower v. Fletcher, 114 U. S. 127, 5 S. Ct. 799, 29 L. Ed. 117, where a state appellate court's *judgment was held to be final and reviewable when it ended the litigation by fully determining the rights of the parties, so that nothing remained to be done by the lower court except the ministerial act of entering the judgment*

which the appellate court had directed. See also Wurts v. Hoagland, 105 U. S. 701, 702, 26 L. Ed. 1109, and Clark v. Williard, 292 U. S. 112, 117, 118, 54 S. Ct. 615, 78 L. Ed. 1160.

* * *

"Where the order or judgment is final in this sense, the time for applying to this Court runs from the date of the appellate court's order, since *the object of the statute is to limit the applicant's time to three months from the date when the finality of the judgment for purposes of review is established.*" [317 U. S., 267-268]

In the subject Petition, the first statement on Jurisdiction is that, "The Court of Claims announced its opinion **with respect to the questions presented here** on December 15, 1976, . . ." The Petition further admits that "the trial judge's findings of fact or his two opinions on remand . . . **do not bear upon the questions presented."** [Pet., p. 1, footnote] Therefore, in accord with the above-stated principles in *Pink, supra,* the Opinion and Judgment of December 15, 1976 herein fully determined the rights of the parties in respect to the questions presented by the Petition. Nothing remained to be done by the Trial Judge except the ministerial act of computing the amount of Respondent's compensation "in accordance with" and "under the Opinion," and pursuant to the "directions" specified in the Court of Claims' subsequent Order of June 21, 1977.

Respondent submits that those same principles, as more fully developed in *Federal Trade Commission, supra,* mandate the dismissal of the subject Petition. In that decision, Mr. Chief Justice Vinson, delivering the Opinion of the Court said:

"The initial question in this case is one of jurisdiction—whether the petition for certiorari was filed within the period allowed by law. [28 U. S. C. 2101(c)] We hold that it was not." [344 U. S. 207]

* * *

". . . we cannot hold that the time for filing a petition for certiorari was enlarged simply because this paper [3] may have prompted the court below to take some further action [4] *which had no effect on the merits of the decision* that we are now asked to review in the petition for certiorari." [p. 211]

* * *

"Thus, the mere fact that a judgment previously entered has been *reentered or revised in an immaterial way* does not toll the time within which review must be sought. Only when the lower court *changes matters of substance,* or *resolves a genuine ambiguity,* in a judgment previously rendered should the period within which an appeal must be taken or a petition for certiorari filed begin to run anew. The test is a practical one. The question is whether the lower court, in its second order, has disturbed or revised legal rights and obligations which, by its prior judgment, had been plainly and properly settled with finality." [pp. 211-212]

3. Corresponding herein to the Orders on remand to the Trial Judge "for the computation" and the "recomputation" of the "precise amount of recovery" *in accordance with* and *under the Opinion* and Judgment of December 15, 1976.

4. Herein, the Order of July 12, 1977, wherein judgment was entered for the dollar amount of Respondent's compensation.

By its Order of July 12, 1977, the Court of Claims has reentered the "Judgment" first "entered" on December 15, 1976, merely specifying the dollar amount of Respondent's royalty and delay compensation. The amount of such compensation was determined "in accordance with" and "under the opinion" as prescribed by its Conclusion of Law and Judgment of December 15, 1976, and as supplemented by the "directions" to the Trial Judge in the Court of Claims' Order of June 21, 1977. The Order of July 12, 1977 had no effect on the merits of the Court of Claims' Opinion and Judgment of December 15, 1976, nor did it change any matters of substance or resolve any ambiguity in that decision.

In light of the 26-year history of this litigation, and in light of the history of the subject Petition and the extensions of time sought and granted therefor, the most pertinent portion of Judge Vinson's pronouncements in *Federal Trade Commission, supra,* is:

> ". . . we do mean to encourage applicants to this Court to take heed of another principle—the principle that *litigation must at some definite point be brought to an end.* It is a principle reflected in the Statutes which limit our appellate jurisdiction to those cases where review is sought within a prescribed period. Those Statutes are not to be applied so as to permit a tolling of their time limitations because some event occurred in the lower court after judgment was was rendered which is of no import to the matters to be dealt with on review." [p. 213]

CONCLUSION ON JURISDICTION

For the several reasons set forth hereinabove, the Petition should be dismissed for want of jurisdiction.

STATEMENT OF THE CASE ON THE QUESTIONS PRESENTED BY THE PETITION

Respondent does not agree with a number of assertions made by Petitioner in its **Statement.** However, since those points of disagreement are not significant in relation to the Questions Presented, or to Petitioner's arguments thereon, we will not burden the Court with correction or restatement of those points of difference, although some of such points are referred to in the following Argument.

ARGUMENT

Introduction

This litigation commenced in the United States Court of Claims in September, 1951, and encompasses all of the Government's unlicensed helicopter procurement subsequent to World War II through May, 1964. This action was instituted following several years of efforts by the Autogiro Company of America (Respondent's predecessor)[5] to have the Government continue its World War II policy of procuring rotary wing aircraft from manufacturers who were licensed by Autogiro.

During World War II, United Aircraft Corporation and Nash-Kelvinator Corporation were the only manufacturers for the Government of production (as distinguished from experimental) helicopters. At the request and direction of the Undersecretary of War, both of those companies entered into licenses with Autogiro for all of their wartime helicopter production. Those wartime licenses terminated on March 2, 1946, i.e., six months after the cessation of hostilities.

5. Hereinafter, plaintiff below will be referred to, interchangeably, as Autogiro or Respondent.

In the immediate post-war period 1946-1949 (and even to this day), the Government continued to dominate the U. S. rotary wing aircraft industry. All new development funds for rotary wing aircraft came from the Government, the market for helicopters was predominantly the Government, and most of the helicopter production in that period was for the Government.

In 1946 the Government was informed by two of its helicopter suppliers (United Aircraft Corporation and Piasecki Helicopter Corporation) that the helicopters they were manufacturing for the Government infringed a number of Autogiro's patents.

During active negotiations with Autogiro for a post-war license under its patents, Piasecki was informed by the Government in 1948 not to be concerned with any further discussions with Autogiro regarding a license, because the Government was going to deal with Autogiro's patents as a group and issue free licenses to the helicopter industry, and **would not require Piasecki to indemnify the Government** for infringement of Autogiro's patents, although it was then contractually obligated to do so.

The Government's first post-war helicopter contract with United Aircraft (dated in Feb. 1946) had contained a special royalty clause providing for an increase of up to 5% in the contract price for the procured helicopters, in the event United became contractually obligated to pay royalties thereon to Autogiro.

While negotiating a subsequent production contract with the Government, in September, 1948 United's representative was advised that the Government would not approve a provision in that contract for similar royalty payments to Autogiro, as it would tend to deprive United of any incentive to resist the licensing demands of Autogiro. **United was also instructed by the Government not to enter into any agreement with Autogiro without Government approval, and that United should strongly resist Autogiro's licensing demands.** The Government proposed, as an alternative to including that special royalty provision in the contract, that the patent indemnity clause thereof could be modified **to exclude the claims of Autogiro**—just as the Government had also informed Piasecki.

In Autogiro's efforts, during that same period (1946-1948), to negotiate directly with Government representatives, they finally informed Autogiro's representative that if the Government procured infringing helicopters from unlicensed sources, Autogiro's only recourse would be to sue the Government in the Court of Claims, and that by the time Autogiro got anywhere with that suit, all its patents would have expired!

After a 182 day trial on the issues of patent validity, infringement and license, and after full review of the opinion and findings of Trial Commissioner Donald E. Lane on those issues, in October, 1967, the Court of Claims entered its Judgment on liability in favor of Respondent on 11 patents held to be valid and infringed by the Government's helicopters procured from 5 different manufacturer sources.

Following several years of extensive discovery by both parties pertaining to the accounting, the case was reassigned, by special designation of the Chief Justice, to Judge Donald E. Lane of the United States Court of Customs and Patent Appeals for trial and report on the accounting issues. Those proceedings (including a 69-day trial) resulted in an opinion [6] and findings by Judge Lane recommending royalty compensation to Respondent in the amount of $24,570,525, based upon Respondent's 5% *established royalty* which Judge Lane found to have existed

6. Appendix A of the Petition.

at and prior to the commencement of the Government's post-war unauthorized appropriation of the inventions of Respondent's patents. That recommended royalty amounted to about 3.85% of the stipulated prices of the infringing procurement.

Following the Government's exceptions to Judge Lane's opinion and findings pertaining, *inter alia,* to that recommended royalty compensation, the Court of Claims upheld Judge Lane's royalty award to the extent of $14,440,772, which is 2% of the *adjusted total retail sale value* of the infringing procurement.

In the Government's Brief to the Court of Claims on its exceptions to Judge Lane's royalty award, the Government invited and urged the court to apply the 2% royalty rate *as a ceiling* on Respondent's royalty compensation. Instead, the Court adopted the 2% rate for computing "the reasonable royalty" for which it has entered Judgment. The dollar difference ($24,850) is insignificant.

Petitioner now objects to the Court of Claims having used the 2% rate at all, and instead, contends that it should have used a rate of 0.13% based on the testimony of its witness Glassman ("The Glassman defense", see pp. 29-30, infra).

In view of the history and background of this case, this Court should finally terminate this 26-year litigation by denying the subject Petition for the following reasons.

Reasons Why the Petition Should Be Denied

I. The first of Petitioner's "Questions Presented" **is not raised by the case** (contrary to Petitioner's assertion), because the Court of Claims **did not measure** Respondent's royalty compensation "solely" by the "licensing offers" and the "licensing agreement's royalty provisions" referred to in that first question. On the contrary, the court reached

its conclusion as to "the reasonable royalty" it has awarded Respondent, from a large body of conflicting evidence, and was justified in giving great weight to the "licensing offers" and "royalty provisions" as to which Petitioner now complains, because, *inter alia,* **Petitioner itself introduced and vouched for that evidence.**

II. The Court of Claims did not err in disregarding or discounting the "amounts actually paid" under a certain license agreement (viz., the 1949 United agreement) as asserted in the second of Petitioner's "Questions Presented",

(a) because the Government dominated the post-war market for licenses under Respondent's patents, and the "amounts actually paid" were agreed to after the Government's dominance had destroyed the validity of market price as a measure of value,

(b) because the "amounts actually paid" for a paid-up license cannot be converted to a percentage royalty in the absence of competent evidence of the dollar volume of licensed production during the term of the paid-up license—*and there was no such competent evidence,* and

(c) because, in addition to the "amounts actually paid" for that paid-up license, it also granted to Respondent certain license rights under United's patents, *as to the value of which there is no evidence in the record.*

III. The Court of Claims did not err in disregarding the testimony and exhibits relating to the asserted offer by Autogiro in 1948 to sell its patents,

(a) because Petitioner did not submit to the Court of Claims any exception to, or request the Court

of Claims to reverse, Judge Lane's ruling which excluded such testimony and/or exhibits,

(b) because Petitioner did not even request the Court of Claims to make any findings based on such testimony and/or exhibits, and

(c) because, even if such testimony and/or exhibits were admissible, that offer occurred after the Government had dominated the market for helicopters.

IV. The "Questions Presented" are of no precedential interest.

I. This Case Does Not Raise the First of the Questions Presented by the Petition.

Petitioner's first Question Presented is based on its **fallacious premise** that, in determining that a royalty rate of 2% applied to the total retail sale value of the infringing procurement is a "reasonable royalty", the Court of Claims arrived at that conclusion "*solely*"

(1) on the "royalty provisions" of the 1947 license agreement between Autogiro and United Aircraft, and

(2) on Autogiro's offers in 1947 and 1948 of similar licenses to other manufacturers.

That question is not raised by this case (as the Petition asserts it is), because in reaching its decision the Court of Claims considered not only those "royalty provisions" and "offers" but also a mass of other evidence, much of which was conflicting in nature.

With respect to this aspect of that "Question", probably the most important facts are

(1) that the evidence of which Petitioner now complains was **offered by and received on behalf of Petitioner** [Respondent's Appendix C, *infra,* pp. 16a-17a];

(2) that in its Brief to the Court of Claims, Petitioner vouched for the integrity of that evidence, characterizing its "probative value" as being "greatly enhanced" [see Respondent's Appendix D, *infra,* p. 19a];

(3) that in that Brief Petitioner represented and urged that **"Plaintiff's Postwar Offer of a Package License at 2% Places a Ceiling on its Recovery"**, and that, "Therefore, plaintiff's own actions set a *maximum ceiling of 2%* on its recovery in this post war accounting period." (Emphasis is Petitioner's) [Resp. App. D, pp. 18a & 20a]; and

(4) that in that Brief Petitioner also invited the Court of Claims to consider that evidence, in connection with the evidence which Respondent had introduced and on the basis of which Trial Judge Lane had recommended a royalty award amounting to about 3.85% of the cost to the Government of the infringing procurement; to wit,

"In the alternative, *even if* the Court were to accept the Trial Judge's conclusion that the *defendant's compulsory compensable license* was fixed in November, 1946, and, therefore, *comprised the* [*5% royalty rate*] *provisions of the Firestone '44 agreement* signed in March of that year [1946], the *plaintiff's January 7, 1947 offer to United and its acceptance of the* [*2% rate of the*] *1947 agreement would operate as a ceiling on plaintiff's recovery.*" [Resp. App. D, p. 20a].

In this connection, it is significant that in its STATEMENT, Petitioner itself describes the Court of Claims' *reconciliation* of those two rates by referring to Judge Lane's recommendation of "royalty compensation of \$24,570,525, i.e., approximately 3.85 percent . . .", and then saying, ". . . the Court of Claims **upheld** [that] compensation award to the extent of \$14,440,772 . . ." [Petition, p. 7]

Another important fact which bears on Petitioner's first Question Presented, is that the Court of Claims accepted [7] Petitioner's position on the significance of Autogiro's 2% post-war royalty rate, to the extent of considering **Petitioner's proffered evidence** (now complained of) along with **all the other evidence** set forth in its Opinion and Findings, some of which it "accepted," some of which it "discounted," and some of which it "rejected."

Thus, in its Opinion the court began [Pet. App. B, p. 43a] by recognizing that the length of the recovery period —18 years—made it difficult to fix upon a single royalty rate. (During the period in question, some patents expired, other patents were issued, and new models of helicopters were procured.)

The court considered in detail the nine licenses under which Autogiro received patent royalties during the period 1932-1946. [Pet. App. B, p. 43a; and Resp. App. B, Findings 466-473, pp. 5a-15a]

The court said that it "put aside the [.85%] wartime rate" [Pet. App. B, p. 44a; Resp. App. B, Finding 468, pp. 10a-12a], because of the difficulty of equating what it called the "very low-level *wartime rate* with *fair market value for the post-war period* or with an established post-war license policy." [Pet. App. B, p. 45a]

7. Specifically, in connection with the 1947 United agreement, which Petitioner in its Brief had characterized as having "greatly enhanced . . . probative value," the Court of Claims said, in its Opinion [Pet. App. B, p. 49a], ". . . the 2% United agreement seems to us **highly probative** . . ."

The court "rejected" the pre-war rates, and stated in a footnote [Pet. App. B, p. 45a] that a license granted to Firestone in March 1946, in which the pre-war rates were still effective, should be considered a pre-war license, presumably because the court considered that a transition point had been reached as of January 1, 1947, when the license with United, providing for the 2% royalty, became effective.

The court found that the 2% rate which was "offered freely to everyone" [Pet. App. B, p. 52a], was Respondent's post-war rate, not only for the reasons noted above, but also on the observation that patents can *decline* in value by reason of approaching expiration, and by reason of increased procurement which would permit lower royalty rates [Pet. App. B, p. 48a].

The court also pointed out [Pet. App. B, pp. 46a, 52a footnote 15] that once suit against the Government was instituted in 1951, **"everyone concerned awaited the end of the litigation."** The significance of that statement lies in the recognition by the court that no one would take a license after it had become completely clear that Respondent was, indeed, compelled to pursue, as its only practical remedy, a "grinding litigation" against the Government. It is here that the significance of the court's use of the word "decline" emerges. The court saw that the *market value* of a license under Respondent's property did "decline" from the pre-war level of 5% to zero in 1951. And it distinguished between the causes for the decline which have been referred to above, i.e., the expiration of patents and the like, on the one hand, and the depressing effect of the Government's increasing domination of the market for helicopters, on the other hand.

In connection with that post-war decline, the Court of Claims had before it a memorandum [Plaintiffs Accounting Exhibit PA 262, Respondents Appendix E, *infra* pp. 21a-38a], which had been prepared in June 1948 by C. Blake Townsend, Esq., *United's outside patent counsel,* for the top management of United. In that memorandum Townsend stated that the picture had changed markedly in the preceding two years, because two years earlier (in 1946) United's market had appeared to be primarily commercial as opposed to Governmental, whereas in June of 1948, the situation was exactly reversed.[8] This meant, Townsend said, that since United's commercial production was so small, Autogiro could hardly justify the expense of suit against United with respect to its commercial production, and that United had nothing to fear from a suit under 28 U. S. C. 1498 since Autogiro (a) could not obtain injunctive relief in such a proceeding, and (b) such a suit would take many years to complete.[9] [Resp. App. E, pp. 26a & 27a]

Townsend's memorandum was implemented by a July 1948 letter from United to Autogiro, from which the court quoted extensively in footnote 11 of its Opinion [see Pet. App. B, p. 49a]. In the second paragraph of that *quotation,* United points out that by far the greater part of its sales would be to the Government and that any suit based on those sales would have to be brought against the Government in the Court of Claims.

8. Contrast that assessment by Mr. Townsend in June 1948, with Petitioner's assertion in November 1977, which is fabricated out of thin air: "*Nothing occurred* between 1947 and 1949 to alter the essential bargaining positions of Respondent and United as willing sellor and buyor." [Pet., p. 16, footnote]

9. Compare Petitioner's distortion of that same situation—of course without any reference to Mr. Townsend's Memorandum—in its specious argument on page 15 of the Petition.

In that same footnote, after the quotation, the Court of Claims makes the significant comment [bottom of Pet. App. A, p. 49a] that, since that letter (defendant's accounting exhibit DA-17-6) was written after the 1947 United agreement became effective, it "can not retroactively turn the 1947 pact into a compromise-to-avoid-litigation . . .", thus clearly implying that the letter was evidence that the summer of 1948 was the turning point, after which the market price of Respondent's property significantly reflected the effect of the Government's dominance.

The court also *found* [Finding 471, Resp. App. B, p. 14a] that in August 1948 the Government

> ". . . advised plaintiff that it was the position of the Chief, Patents Branch, Department of Army, that Plaintiff could sue the Government in the United States Court of Claims, but by the time it got anywhere, *all of its patents would have expired.*"

In its Opinion the court *recognized* that the turning point was in 1948, when it confronted the question as to whether the royalty rate to be used in computing Respondent's compensation should be set lower than 2%, saying:

> "The patentee's situation was unusual in that the Government was *the dominant consumer* of the articles embodying the patents, and this put the Plaintiff to a disadvantage since it was very unlikely that an injunction could be obtained against United (or other infringers). **We therefore discount** . . . Autogiro's granting to United, at the latter's strong insistence, of a paid-up license in 1949." [Pet. App. A, p. 51a]

Similarly, the court criticized the Glassman defense (see Section II of this Brief), because Mr. Glassman

"... did not consider *Plaintiff's hobbled position* in trying to determine what the 'parties might well have agreed upon' . . . if Autogiro had been relatively free of *this one-sided litigation pressure.*" [Pet. App. B, p. 52a]

On the basis of all of this evidence, the court felt constrained to find an appropriate royalty rate lower than Judge Lane's net 3.85%, because of factors other than Government dominance as discussed above, but higher than the wartime rate of .85%, which it rejected as too low. It thereupon accepted **Petitioner's invitation** to use the only benchmark falling in the range .85% and 3.85%; namely, the "highly probative" 2% rate.

The determination by the Court of Claims of "the reasonable royalty" in the present case is in full accord with the rule of *General Motors Corporation v. Dailey,* 93 F. 2d 938, 941 (CA 6, 1937):

"Bearing in mind the previous holding of this court that *the diminished royalty rate* to which the patentee may have been driven in individual cases *by the disrepute of his patent and the open defiance of his rights should not be taken as the true measure of reasonable royalty* where no established royalty is shown, and the fact clearly proved that a number of companies infringed from 1917 on, . . . we think that the determination of the District Court complied with the rule . . . that reasonable royalty must be determined from proofs of acceptance, utility, value, and demand, and upon the hypothesis that the patent was valid and would be respected. . . . To draw the proper conclusion from these conflicting facts *called for the exercise of judicial discretion* by the District Court and we cannot say that such discretion was not properly exercised."

The Court of Claims in the present case did not set the level of Respondent's royalty compensation "solely" on the basis of the evidence Petitioner introduced, but now complains of. On the contrary, it resolved conflicts involving that and other evidence, and exercised its judicial discretion within the limits imposed by applicable law to arrive at "the reasonable royalty" which it determined in light of all the evidence it had before it. Thus, in its Opinion [Pet. App. A, p. 51a], after having reviewed and analyzed Autogiro's licensing history from 1932 through 1947 (see p. 43a last paragraph through p. 50a), the Court of Claims said:

"All this means that the post 1946 United agreement at 2% as well as the post 1946 offers made by Autogiro at that same level—plaintiff's own position deliberately taken in 1947 and 1948—have a *prima facie* title to acceptance as the reasonable royalty for 1946-1964."

In so determining Respondent's reasonable royalty compensation," the Court of Claims committed no reviewable error.

II. The Court of Claims Did Not Err in Disregarding or Discounting the "Amounts Actually Paid" Under the 1949 United Agreement, as Charged by the Second of Petitioner's Questions Presented.

First. The "amounts actually paid" under the 1949 United agreement were the amounts agreed to in late 1948, and were incorporated into that agreement.

As we have seen, the Townsend memorandum of June 1948 [Resp. App. E, pp. 21a-38a], the United-to-Autogiro

letter of July 1948, and the Government's position expressed to Autogiro in August 1948 that Autogiro could sue in the Court of Claims, but that suit would not get anywhere until after all of Autogiro's patents had expired—all signalled the fact that Autogiro's bargaining position **had then been destroyed,** and *that the market price of licenses under Autogiro's patents was no longer a meaningful basis for measuring Respondent's just compensation* under 28 U. S. C. 1498.

The applicable principle of law is well settled:

"The Court early recognized that the 'market value' of property condemned *can* be affected, adversely or favorably, by the imminence of the very public project that makes the condemnation necessary. And it was perceived that to permit compensation to be either reduced or increased because of an alteration in market value attributable to the project itself would not lead to the 'just compensation' that the Constitution requires." *United States v. Reynolds,* 397 U. S. 15, 16 (1970).

"If an area has been made a wasteland by the condemning authority, the property owner should not be obliged to suffer the reduced value of his property." *City of Detroit v. Cassese,* 376 Mich. 311, 318, 136 N. E. 2d 896 (1965).

"This then is the contention, that the municipality, in the furtherance of public ends, having stripped the land of nearly its entire value . . . is to be allowed to acquire the land by paying a sum measured by the little value the municipality has left in it. Such a result would be a travesty on the constitutional provision which requires, in all such cases, just compensation to be made for the property taken." *South Twelfth Street,* 217 Pa. 362, 366 (1907); *Herman v. North Penn Railroad,* 270 Pa. 551, 554 (1921).

Second. The 1949 United agreement, for present purposes, provided that United (1) pay a lump sum in advance, and (2) grant rights to Autogiro under United's patents, in exchange for a paid-up license under Autogiro's patents until the last of them should expire. [Def. Ex. 259] No *percentage* royalty figure was involved.

Therefore, the "amounts actually paid" under the 1949 United agreement were completely meaningless unless there was competent evidence of the **value of the license rights granted by United to Autogiro,** and competent evidence of **the dollar value of the helicopters produced by United during the term of the agreement.** The Government did not proffer any evidence at all as to the value of the United-to-Autogiro license, or as to the actual dollar sales of United after 1948!

Instead, through the speculations of its witness Glassman, Petitioner attempted to penetrate the mind of Autogiro's long-dead president, not only to the extent of testifying as to what Autogiro's president "knew" in 1948, but even to the extent of testifying as to what he "could have anticipated." [Pet. App. B, p. 103a] Thus, Glassman testified that Autogiro's president in 1948 "could have anticipated" that United's sales from 1946 to 1964 would amount $132 million dollars, and adding that figure to United's sales of about $9.8 million dollars before January 1, 1949, and taking the royalties paid under the 1947 agreement ($63,500), plus the cash payment ($120,739) by United to Autogiro in January 1949—totaling about $184,239—, Glassman then set up an equation [Pet. App. B, footnote #s 5, 6 & 7 on pp. 105a & 106a]:

$$\frac{184{,}239}{9.8 \text{ million} + 132 \text{ million}} = .13\%$$

If Glassman had acknowledged his ignorance of the value of the United-to-Autogiro license rights, his equation would have been:

$$\frac{184{,}239 + ?}{9.8 \text{ million} + 132 \text{ million}} = ?$$

And the equation really should have been:

$$\frac{184{,}239 + ?}{9.8 \text{ million} + ?} = ??$$

because whatever Glassman's expertise may have been, it could not enable him to "calculate" what someone he never knew "could have anticipated" would have been produced by United over the 16 years next beyond 1948.

Of course, Trial Judge Lane rejected the Government's proposed findings based on such rank speculations, and of course, the Court of Claims discounted and disregarded it. There is surely no reviewable error here.

III. This Case Does Not Raise the Parenthetical Question Presented by Petitioner.

The second of Petitioner's Questions Presented refers, in *parentheses*, to "rejected sales offers". The Petition at page 5 states that "Respondent proposed that United purchase the patents outright for $750,000." In support of that statement the Petition cites "App. B, infra, p. 46a; Def. Ex. 17-3, pp. 7-10; Def. Exs. 19-8, 19-9, 19-10, 19-11 (offers of proof)".

Page 46a of Appendix B is a part of the *Per Curiam* Opinion of the Court of Claims. That opinion does not mention the transaction in question, at page 46a or elsewhere.

None of the six exhibits cited by Petitioner, including 17-3, is in evidence. All were excluded by Trial Judge Lane. Petitioner admits this in footnote 4 (p. 5) of its Petition, where it also refers to page 95a of its Appendix B. That page is part of Judge Kashiwa's *dissenting* opinion—certainly no basis for a statement of fact. Petitioner does *not* tell this Court that it *did not except* to Trial Judge Lane's ruling.

In any case, since the record clearly shows that (1) that "evidence" was excluded by the Trial Judge, and (2) Petitioner did not except to the ruling (although persisting in arguments based on the excluded evidence), the Court of Claims could not "disregard" such evidence; it was not *evidence* before the court.

In addition, the asserted offer to sell did not occur until after the Government achieved dominance of the helicopter market, as discussed *supra*, and therefore it is of no probative value. See *U. S. v. Reynolds* and other cases cited at page 28, *supra*.

IV. The Questions Presented Are of No Precedential Interest.

A. At page 11, the Petition states that since the Court of Claims is the only forum empowered to hear patent suits under 28 U. S. C. 1498, no square conflict of decisions will ever arise among the lower federal courts, and that this case should, therefore, be reviewed

> ". . . in order to reaffirm the prior settled *understanding* that the proper measure of damages in such cases is established by *operative licensing agreements* to which the patent holder is a party. . . ."

In the first place, whatever may b Petitioner's "understanding"—and noting that it cites no authorities in sup-

port—it is not the law that in patent infringement suits against the Government or against anyone else, damages may be established *only* by operative licensing agreements. What of the patent holder who has never granted a license?

Furthermore, in both private infringement actions under 35 U. S. C. 281 and actions under 28 U. S. C. 1498, the standard is the same; namely, that the compensation be "reasonable." *If* there is an *established royalty,* both the district courts and the Court of Claims prefer to use it as a guideline for determining what is a reasonable royalty. On the other hand, where there is no *established royalty,* the district courts and the Court of Claims will follow the procedure approved by the Sixth Circuit in *General Motors v. Dailey, supra,* as the Court of Claims did in this case.

It follows that the decisions of the Court of Claims in this area are not *sui generis,* and review on that ground is not justified.

B. At page 13, the Petition asserts that the decision below conflicts with the rule of *Rude v. Westcott,* 130 U. S. 152, regarding *established royalty.* That case sets forth the criteria by which courts determine whether a royalty rate has been so firmly established that no other evidence need be considered in determining the reasonable royalty to be awarded the patent owner. The fact that the *Rude* criteria are not met does not mean that there can be no award—it merely means that the court must consider other evidence to arrive at a *reasonable royalty,* as the Court of Claims did in this case.

We have demonstrated hereinabove that the Court of Claims did not base its awarded royalty "solely" on the royalty provision of the 1947 United agreement, and/or on Autogiro's offers during 1947-48 of similar licenses to others. Instead, the Court of Claims reached its conclusion, as stated in its Opinion (Pet. App. B, p. 51a), as to

"the reasonable royalty" which it awarded Respondent, only after it had reviewed and analyzed Autogiro's licensing history from 1932 through 1947.

C. In the first full paragraph on page 16, the Petition states that the decision of the Court of Claims invites *claimants* in patent infringement and eminent domain suits to *introduce* self-serving evidence of unaccepted offers and unimplemented contracts as proof of value. Petitioner then goes on, by the device of quoting from an opinion of this Court, to characterize such evidence as "unsatisfactory, easy of fabrication and even dangerous . . .", and to raise the specter that such "claimants" would be capable of fabricating evidence and the like. Although those statements do not identify Respondent as the offeror of the evidence of which Petitioner now complains, the implication is clear. Moreover, the care with which Petitioner has avoided direct accusation of Respondent is comparable to the care with which Petitioner also has avoided, throughout its Petition, making any statement from which the Court could possibly learn that **it was Petitioner,** not Respondent, who introduced the evidence in question, and that **it was Petitioner** who vouched for it and for its "greatly enhanced . . . probative value" before the Court of Claims. Absent such tactics, Petitioner could not have posed its "claimants" and "ease of fabrication" arguments.

D. In the next sentence of the Petition, it seems to be saying that when the Government becomes a dominant user of an invention, that triggers the Court's disregard for actual market value as established between the patent holder and third persons. It is certainly true, as this case demonstrates, that **the domination of the marketplace by the Government destroys the only price structure to which the Court of Claims can look for guidance in determining just compensation,** and that as a consequence, the Court of Claims is compelled to rely on the price structure as it

existed prior to the Government's acquisition of dominance, and to disregard prices which reflect that dominance, whether they be higher or lower than the historical ones. *United States v. Reynolds, supra;* also *General Motors v. Dailey, supra.*

It is the Government's domination of the marketplace that "augurs larger judgments in patent compensation cases", not the rulings of the Court of Claims on questions of evidence. Therefore, the last paragraph of the Petition is a *non sequitur*. Certainly the Government can be relied upon to distinguish this case from future cases in which *claimants,* rather than the Government, seek to rely on evidence which does not have the "probative value" the Government attributed to the evidence it adduced before and urged on the Court of Claims.

E. Petitioner's make-weight *res judicata* argument has become moot. As the result of discovery obtained by Respondent, in installments, throughout the last several months (the latest on December 21, 1977), Respondent has determined that none of the aircraft involved in the other two "actions" to which the Petition refers, infringes Respondent's patents in those actions, or, in respect to one of those patents, that the patentee-inventor was apparently not the first inventor. Accordingly, Respondent has submitted to Petitioner's attorneys and to the Court of Claims a proposed stipulation to dismiss those actions.

CONCLUSION.

What Petitioner ultimately seeks is *not* review based on its fallaciously premised "Questions Presented", but instead, a declaration by this Court that, "The Court of Claims . . . erred in rejecting the implemented paid-up [1949] licensing agreement between Respondent and United as *the* proper measure of compensation". (Petition, p. 14, ¶ 2).

If this Court were to issue the Writ, the return would show that:

1. The paid-up licensing agreement between Respondent and United was incapable of use by the Court of Claims "as *the* proper measure of compensation", because the royalty prescribed by it was expressed as a single dollar amount, rather than as a percentage of sales.

2. That agreement granted license rights to Respondent under United's patents, and the record includes no evidence of the value of those rights.

3. The record includes no evidence of United's actual sales during the term of that agreement, or even through May 1964, the end of the accounting period of this case.

4. The record includes evidence that the amount paid by United under that agreement was determined *after* the Government's dominance of the market for Respondent's property had destroyed the market price thereof.

5. The Trial Judge rejected that agreement as any measure of compensation.

6. The Court of Claims by its *Per Curiam* Opinion rejected that agreement as any measure of compensation.

7. The Court of Claims in its *Per Curiam* Opinion considered a mass of evidence, much of it conflicting, and found *as a fact* that a 2% royalty rate would provide Respondent a "reasonable royalty."

On that record, a reviewing court could not hold that it was error for the Court of Claims to have "disregarded", or as the Court said in its Opinion, "discounted", the paid-up license, or that it was error to reject it "as **the** proper measure of compensation."

The Petition should be denied for the several REASONS summarized at pages 18-20, *supra*.

The Petition should also be dismissed for want of jurisdiction, as it was not filed within the period allowed by law (see pages 3-14, *supra*).

Even if there were any substance to the "Questions Presented" by the Petition, it should be denied for *Petitioner's failure to inform the Court* that the evidence, of which it now complains relative to the first of the "Questions Presented", was adduced, vouched for and relied upon *by Petitioner*, not by Respondent.

Likewise, the Petition should be denied for *Petitioner's failure in its statement on* JURISDICTION to inform this Court regarding the Court of Claims' Order of June 21, 1977, by which the 2% royalty rate, as determined by the Opinion and Judgment of December 15, 1976, was confirmed and finalized, thus fixing the latest possible date (viz., September 19, 1977) by which any petition for certiorari could be filed in this case under the provisions of 28 U. S. C. 2101(c).

Respectfully submitted,

J. EDWARD SHINN,
Attorney for Respondent.

WILLIAM P. COLE,
Of Counsel.

APPENDIX A.

Order of June 21, 1977.

IN THE
UNITED STATES COURT OF CLAIMS

No. 50328

STEPHEN PITCAIRN, AGENT (SUBSTITUTED FOR AUTOGIRO COMPANY OF AMERICA)

v.

THE UNITED STATES

J. Edward Shinn, attorney of record, for plaintiff. *William P. Cole*, of counsel.

B. Frederick Buchan, Jr. and *Thomas J. Scott, Jr.*, with whom was *Assistant Attorney General Barbara Allen Babcock*, for defendant. *Joseph A. Hill* and *Vito J. DiPietro*, of counsel.

Before DAVIS, *Judge*, Presiding, COWEN, *Senior Judge*, NICHOLS, KASHIWA, KUNZIG and BENNETT, *Judges, en banc.*

ORDER

This case comes before the court on Trial Judge Browne's memorandum opinion, supplemental findings of fact, and proposed conclusion of law (all submitted under Rule 131(c), our opinion and decision of December 15,

1976, 212 Ct. Cl. —, 547 F. 2d 1106, and our order of March 4, 1977), which were filed on March 30, 1977, together with defendant's exceptions to supplemental findings, and its supporting brief, plaintiff's answering brief, and defendant's reply brief. This matter has been considered by the judges listed above *en banc,* and without oral argument.

The court does not adopt the trial judge's memorandum opinion, the proposed supplemental findings, or the proposed conclusion of law. Instead the court returns the case to the trial judge for recomputation of the amount of recovery, under the following directions:

1. For the years 1946 through 1948, the basic compensation will be $500 per helicopter.

2. For the period 1949 through 1964, the basic compensation will be the sum of the stipulated prices of the helicopters [1] plus 10% of such stipulated prices (except for the Cessna and McCulloch helicopters as to which this 10% addition will not be made). The court is of the view that, with respect to the royalty base, this additional 10% is all that is necessary, under the record as it has been made, to compensate plaintiff in the manner prescribed by our opinion of December 15, 1976 (as modified by our order of March 4, 1977). The court considers the 40% increase in the royalty base suggested by the trial judge as far too high, and unsupported by the record as made by the parties.

3. With respect to spare parts, the court accepts, as did the trial judge, the original computation.

4. The 2% royalty rate should then be applied to the royalty base (as mandated by the opinion of December 15, 1977).

1. *I.e.* the royalty base found by Judge Lane.

5. With respect to delay compensation for the period after 1975, the court is of the view that the rate from January 1 ,1976 to date of payment should continue to be 7½% (as it was prescribed to be for 1971-1975). Even considering the statistics of which the trial judge took judicial notice, we do not think plaintiff has "affirmatively demonstrated" [2] that under the theory of our opinion of December 15, 1976, the rate for the years after 1975 should differ from the 7½% rate set for 1971-1975.

6. The court is most anxious to terminate this very old and long-lasting litigation (so far as this court is concerned) as soon as possible, and to enter judgment before July 15, 1977 if at all possible. The trial judge is therefore requested and directed to give the highest priority to this matter and to compute the amount of recovery as expeditiously as possible. The parties are earnestly exhorted to aid in this endeavor and, without giving up or prejudicing any of their rights or claims, to facilitate the computation by the trial judge on the basis and within the time prescribed above.

It Is So Ordered.

By THE COURT

/s/ Oscar H. Davis
Oscar H. Davis
Judge, Presiding

June 21, 1977

2. *See Tektronix, Inc. v. United States,* 213 Ct. Cl. —, —, 552 F. 2d 343, 352 (March 23, 1977).

Judge *Kashiwa:* I do not agree with the trial judge's recommended decision. I disagree with the result reached above with respect to basic compensation. See my partial dissent of December 15, 1976.

Judge *Bennett:* For the reasons stated in my dissent to the court's opinion in this case at 212 Ct. Cl. —, 547 F. 2d 1106 (1976), I disagree with the result reached above with respect to the basic compensation.

APPENDIX B.

Court of Claims Findings 466-473.

466. The organization which eventually became the Autogiro Company of America, the original plaintiff herein, was founded by Harold F. Pitcairn in 1927. Pitcairn assembled a group of experts in the fields of engineering and aerodynamics. Among the group were James G. Ray, Agnew Larsen, Harris Campbell and Paul Stanley, and some of their patented inventions are here in suit. In pursuing his interest in rotary-wing aircraft, Pitcairn investigated the rotary-wing developments of Juan de la Cierva, a Spanish mathematician, aerodynamicist and inventive genius. In 1928 Pitcairn acquired the United States rights to Cierva's inventions, some of which are the subject of patents in suit. Pitcairn demonstrated the practical reliability by extensive flying of the C-8, including a 500-mile cross-country round trip in the spring of 1929 to Langley Field, Virginia, where it was successfully demonstrated to the National Advisory Committee for Aeronautics. Beginning in 1930 Pitcairn built the PCA-2 and 24 of them were sold, including three to the U. S. Navy in 1931, which were the first rotary-wing aircraft ever to operate from a U. S. Naval vessel, the aircraft carrier Langley. The PCA-2 was also the first rotary-wing aircraft certified for commercial production by the NACA. In 1931 Pitcairn also built two 300 h.p. PCA-3 for United Airports of Connecticut, a predecessor of United Aircraft Corporation which later became a licensee of the Autogiro Company. In 1931 Pitcairn and his associates designed

and developed the PAA-1, of which more than 20 were sold during the next two years. In 1932, they designed and built the PA-18, of which about 20 were sold. Also in 1932, they designed and produced the 5-place enclosed-cabin PA-19, which was the largest rotary-wing aircraft ever built and which went into service in the United States, England and Ireland for passenger and cargo transport. Pitcairn produced the first American rotor-control rotary-wing aircraft, the PA-22, which introduced a new era of practical aircraft in the United States; namely, control of the aircraft, both longitudinally and laterally, entirely through the rotor by cyclically changing the pitch of the rotor blades, and thus eliminating the need for any fixed wings, ailerons and elevators. During the period 1929 through 1942, Pitcairn and his associates designed and developed more than 10 different models and manufactured more than a hundred such aircraft, many of which were sold. A large number of United States patents resulted from the Cierva and Pitcairn developments of rotary-wing aircraft, and the technology of those developments became available to the art upon the issuance of those patents, of which the United States rotary-wing industry had complete knowledge. General H. Franklin Gregory, Chief of the Army Air Corps' Miscellaneous Aircraft Projects Office and the Officer in Charge of its major division, Rotary Wing Aircraft Research & Development, became acquainted with Pitcairn and his associates and knew of Pitcairn's acquisition of the U. S. rights to Cierva's developments and inventions. He also knew of the developments of the Pitcairn organizations, and that both the Pitcairn and the Kellett companies were manufacturing rotary-wing aircraft under licenses granted by the Autogiro Company of America. As an Air Corps officer, General Gregory had flown several of the Pitcairn aircraft,

including the PA-22, AC-35 and PA-36, as well as the licensed Kellett YG-1, YG-1A, YG-1B, XR-2 and XR-3. As the result of General Gregory's experience with and field evaluation of rotor-control aircraft on behalf of the Army, and pursuant to his direction and at his insistence, the first successful helicopters manufactured in the United States (December 1941 and January 1942), namely, the Sikorsky VS-316 and XR-4, were developed so as to provide rotor-control therein; viz., so that the cyclic and collective pitch controls be incorporated in the main or sustaining rotor. The development and manufacture of the Pitcairn aircraft laid the foundation for the helicopter industry in the United States, and "bequeathing much of value to the present-day helicopter."

467. The earliest unlicensed manufacture or use by or for the United States Government of the inventions of any of plaintiff's patents in suit, and which manufacture or use is within the scope of this accounting proceeding, occurred in 1946 upon the completion of manufacture for the Government of the first Piasecki XHRP-1 helicopter in November, 1946. During the period 1930 through 1946 plaintiff granted and entered into the licenses which are identified in the following table, generally at a royalty of 5 percent of the retail price or value of the complete aircraft including engine and standard equipment, or at a royalty of 7 percent of the actual sale price if sold without engine or standard equipment. Such licenses comprehend rotary-wing aircraft manufactured and sold commercially, as well as rotary-wing aircraft manufactured for or sold to the Government, and covered all of plaintff's patented property including the patents in suit as and when issued (hereinafter, the patents in suit).

LICENSEES UNDER PLAINTIFF'S PATENTS
1930-1946

Licensee	*Royalty*
Kellett Aircraft Corp. 2-10-30 to 5-21-31	Six percent of retail sale price of aircraft complete with engine and equipment.
Kellett Aircraft Corp. 5-21-31 to 1-15-32	Six percent of retail sale price of aircraft complete with engine and standard equipment (hereinafter, complete aircraft).
Kellett Aircraft Corp. 1-15-32 to 4-7-45	Five percent of retail sale price of complete aircraft.
Harold F. Pitcairn (dba Pitcairn Autogiro Company) 12-1-36 to 12-30-41	Five percent of retail sale price of complete aircraft
Pitcairn-Larsen Autogiro Company 2-3-41 to 11-1-41	Five percent of retail sale price of complete aircraft *or* (optionally) 7 percent of actual sale price if sold without engine or standard equipment.
A.G.A. Aviation Corp. 11-1-41 to 7-16-43	Five percent of retail sale price of complete aircraft *or* (optionally) 7 percent of actual sale price if sold without engine or standard equipment.
The Firestone Tire and Rubber Company (Firestone I) 7-16-43 to 3-12-46	Five percent of retail sale price of complete aircraft *or* (optionally, for sales to U.S. Government) 7 percent of actual sale price if sold without engine or standard equipment but subject to the following annual sliding scale: on 1st million dollars of sales, 5 percent or 7 percent as above; on 2nd million dollars of sales, 4.5 percent or 6.3 percent; on 3rd million dollars of sales, 4 percent or 5.6 percent; and on annual sales in excess of $3 million, 3.5 percent or 4.9.
The Firestone Tire and Rubber Company (Firestone II) 9-1-44 to 12-31-47	For each patent of which the invention of any claim is utilized, the greater of $100 or 10 percent of the retail sale value of the patented components * (hereinafter, the per-patent royalty), but with a royalty ceiling of 5 percent of the total retail sale value of complete aircraft and spare parts therefor, but subject to the following annual sliding scale: for 1st $50,000 of royalties, the sum of the per-patent royalties applicable to each such complete helicopter and spare part therefor but not to exceed 5 percent of

* viz., those components or combinations of components of the Licened Aircraft (including both *complete aircraft* and *also parts and assembles of parts for use therein*, i.e., *spare parts therefor*) which singly or in combination embody or operate according to one or more of the claims of the patent.

Licensee	*Royalty*
	the total retail sale value thereof; for the next $45,000 of royalties, 9/10ths of the initial rate; for the next $40,000 of royalties, 8/10ths of the initial rate; and thereafter 7/10ths of the initial rate.

The plaintiff entered into two agreements with United Aircraft successively effective January 1, 1947, and January 1, 1949. In the first of these, in substantial accordance with Autogiro's offer of January 7, 1947, United agreed to pay Autogiro a fixed royalty of 500 dollars an aircraft during the calendar years 1947 and 1948. Under the '47 agreement, the royalty rate would have increased in 1949 to 2% of the total retail sale value (including engine and standard equipment). In a July 1948 letter to Autogiro, United expressed dissatisfaction with continuation of the '47 agreement. It proposed the continuation of a fixed sum per aircraft royalty until the license would become paid up at a total of $325,000. On January 2, 1949, Autogiro and United signed an agreement effective January 1, 1949, in which United was granted a paid-up license in all Autogiro's patents for the single sum of $120,739. During the years 1947-48, Autogiro continued negotiations with McDonnell Aircraft, Bell Aircraft, and Piasecki Helicopter offering in June to September, 1947 to license each of them at a ceiling of 2% of the total retail sale value (including engine and standard equipment), and offering Piasecki a license with a ceiling of $1,000 an aircraft until the end of 1948. These offers were not accepted.

468. In July 1943, for the purpose of contributing to and for the good of the war effort, Pitcairn, President of

Autogiro Company of America, unilaterally selected and proferred to the Government and to the rotary-wing industry a nominal *wartime* royalty rate of .85 percent of the contract price of the aircraft. In acknowledging that wartime royalty rate, the Army Air Forces characterized Autogiro's proposal as exemplifying "an excellent spirit of cooperation." The .85 percent wartime royalty rate was not represented or considered to be a precedent or guide as to the value of plaintiff's patented property, including the patents in suit, nor did it measure the value of plaintiff's patented property or the value of the patents in suit. In addition to the licenses enumerated in finding 467, plaintiff granted and entered into *wartime* licenses with Nash-Kelvinator Corporation, United Aircraft Corporation and Kellett Aircraft Corporation, as of August 28, 1943, March 24, 1944 and April 7, 1945, respectively, which covered all of plaintiff's patented property including the patents in suit. The royalty provided in those wartime licenses was .85 percent of the contract price (excluding the cost of engines) for rotary-wing aircraft made for and sold to the Government. By their express terms, those wartime licenses expired 6 months after the cessation of hostilities, i.e., on March 2, 1946. Both of the Firestone licenses also contained similar wartime royalty provisions, although Firestone I specified that the nominal royalty at a flat-rate of .85 percent shall be calculated only upon the value of the gross sales to the Government instead of upon the retail sale price of the complete aircraft with engine and standard equipment. Prior to World War II, the only manufacturers of production rotary-wing aircraft in the United States were Pitcairn Autogiro, Kellett Aircraft, Pitcairn-Larsen, and AGA Aviation, and during the entire period 1930 through October 1946, those companies, and in addition Firestone, Nash-Kelvinator, and United

Aircraft were the only manufacturers in the United States of production rotary-wing aircraft sold commercially or to the Government. During that entire period, all such rotary-wing aircraft manufactured for or sold to the Government were licensed under plaintiff's patented property, including the patents in suit, and all but a few of those manufactured and sold commercially during that period were likewise so licensed. The wartime licenses granted to United Aircraft and Nash-Kelvinator were entered into with the approval of the Under-Secretary of War, and pursuant to the specific request by the War Department that the licensees accept those licenses. The wartime license to Kellett Aircraft was also entered into at the specific request of the War Department. Those wartime licenses were effected pursuant to the provisions of the Wartime Ceiling Agreement which was "made as of January 1, 1944" between plaintiff and the Government. By that Agreement plaintiff was required "to offer to any manufacturer designated by the Government a license in substantially the same form as, and at the royalty rates set forth in the form of license attached hereto and marked Exhibit B . . .". That form of license contained not only the .85 percent wartime royalty provisions, but also the same royalty provisions, including the per-patent royalty provisions, as contained in the subsequently granted Firestone II license.

469. Each and every license granted by plaintiff during the period 1930 through 1949, as enumerated in the preceding findings, comprehended all of plaintiff's patented property which was and would be available for license, including but not limited to the patents in suit. In each of those licenses, and also in the form of license appended as "Exhibit B" of the Ceiling Agreement, the

specified royalties were to be paid if any of the licensed patented property was utilized in the licensed aircraft.

470. Shortly after the wartime licenses expired on March 2, 1946, the Firestone II license was consummated on or about March 12, although it was "entered into" retroactively as of September 1, 1944. That license continued in force until its termination on or about July 13, 1948 by agreement of the parties and pursuant to Firestone's decision to discontinue its manufacture of rotary-wing aircraft. In effecting that termination, Firestone recognized its obligation, as of July 1948, to pay plaintiff "royalty amounting to 5% of sales value of rotary wing machine to be disposed of." During the period following the cessation of hostilities in World War II and continuing through 1946, and after granting the Firestone II license in March, 1946, plaintiff made offers to a large number of business organizations of licenses under its patented property, including the patents in suit, and on the same royalty terms. On March 12, 1946, the same date the Firestone II license was consummated, in reference to the Government's contemplated helicopter procurement in the post-war period which would infringe one or more of plaintiff's patents, plaintiff reminded the Government and specifically the Royalty Adjustment Board, Army Air Forces Air Technical Service Command, that the helicopters procured by the Government during the war from Firestone, Kellett, Nash-Kelvinator and United (Sikorsky Division) had been licensed by plaintiff under its patents, and plaintiff also informed the Government that Firestone's license extended to post-war manufacture under plaintiff's patents and that plaintiff had offered post-war licenses to a number of other companies. As of 1947 and 1949, plaintiff entered into license agree-

ments with United Aircraft as described at the end of finding 467.

471. In 1946, plaintiff's representative informed counsel of the Army Royalty Adjustment Board, Army Air Forces, and counsel of the Navy Patents Division that the Government was procuring helicopters from manufacturers not licensed by the plaintiff and which would infringe plaintiff's patents, and also advised that plaintiff was willing to grant licenses to any companies from which the Government procured post-war helicopters. Government representatives responded that the Government had no concern because it was requiring patent indemnification from its manufacturers. In 1947, plaintiff sent letters to the Secretaries of War and Navy concerning patent infringement. In August 1948, Government representatives advised plaintiff that if the Government obtained helicopters from unlicensed sources, plaintiff's only recourse would be by suit in the United States Court of Claims. It was indicated that it was the position of the Chief, Patents Branch, Department of Army, that plaintiff could sue the Government in the United States Court of Claims, but by the time it got anywhere all of its patents would have expired.

472. The basic 2% royalty figure of the 1947 United agreement was offered by plaintiff "fairly widely" to other major manufacturers and proposed manufacturers of helicopters, and plaintiff characterized these terms as its current offer. Plaintiff never expressed dissatisfaction with those terms and on the contrary appeared to view them as satisfactory to it. The 1947 United agreement was not mainly the product of compromise to avoid litigation but represented the then fair market value of a license to [under] plaintiff's patents.

473. The 1947 United license represents, in itself and as offered to other manufacturers, plaintiff's established royalty during the period involved in this suit (Nov. 1946-May 1964) and is the appropriate measure for determining compensation to plaintiff in the present suit.

APPENDIX C.

Excerpts From Trial Transcript.

Vol. 21, Pages 2187-2188.

MR. HILL: Next one, Your Honor, DX-258, which is the 1947 United agreement. DX-258.

MR. MCALEESE: We object to the admission in evidence of that document on the ground that it constitutes evidence here which is beyond the scope of the direct, and secondly, it constitutes evidence which is not relevant to any material proposition of fact in this accounting proceeding, as explained at length by me heretofore on this record.

THE COURT: Well, I will receive it in evidence, and in so doing, I am not making any expression as to whether or not it is relevant to the Plaintiff's case or the Defendant's case, but I think we do need it in evidence, and it will be received.

MR. HILL: Thank you, Your Honor. DX-259.

MR. MCALEESE: Objection to the admission in evidence of DX-259, on the same grounds as our objection for DX-258.

THE COURT: I will receive it with, the same as I did 258.

Vol. 58, Pages 8118, 8120 & 8121.

* * * *

THE COURT: I think pages number 3-39 inclusive should be removed from this Exhibit. And if Defendant desires to do that why—

MR. HILL: Fine, fine, Your Honor.

THE COURT: In other words, pages 1 and 2 and 40 through 77 inclusive are received.

(Whereupon, the above mentioned documents having previously been marked for identification as DA-14 were received into evidence as described above.)

* * * *

MR. HILL: We will remove the Appendix A, Your Honor, if that's satisfactory.

THE COURT: Very well, with that removed, DA-15 will be received in evidence.

(Whereupon, the above mentioned document having previously been marked for identification as Defendant's Exhibit DA-15 was received into evidence, as described above.)

* * * *

THE COURT: DA-16 will be received upon removal of the pages 2 and 3, and Item 1 on the cover page has been stricken.

MR. HILL: Thank you, Your Honor.

(Whereupon, the above mentioned document was marked for identification as Defendant's Exhibit DA-16 and received into evidence as described above.)

APPENDIX D.

Excerpts From Government's Brief Before the Court of Claims, as Filed March 3, 1976.
Pages 28-29.

IV. SUMMARY OF ARGUMENT

Although this litigation has been long and complex, the defendant now advances only four main points which it considers to be major errors [10] in the Trial Judge's Opinion. These can be summarized briefly as follows:

(1) In determining the level of compensation due plaintiff, the Trial Judge excluded, as a matter of law, consideration of all evidence of the market value of a license in plaintiff's patents after November, 1946. By so doing, he could then rely on a single license between plaintiff and a very minor helicopter manufacturer. The Trial Judge's failure to consider licenses and negotiations for licenses after November, 1946, is clearly erroneous. With his erroneous approach, the Trial Judge failed to consider those license agreements which most accurately reflect the market value of a license in plaintiff's patents during the relevant accounting period.

The defendant presented at trial a method of calculating the proper level of compensation due plaintiff based on these licenses which the Trial Judge improperly ignored. The defendant's proposed calculation was soundly based and reflected the genuine value of a license in plaintiff's patents. That method of calculation should be adopted by the Court.

Pages 43-45.

3. *Plaintiff's Postwar Offer of a Package License at 2% Places a Ceiling on Its Recovery.*

In the period 1947 to 1948, plaintiff offered to almost the entire helicopter industry a license agreement much like Exhibit B, but which placed a ceiling on royalty payments based on 2% of the aircraft price. As stated above, United was offered in July, 1945, a license similar to Exhibit B, but without the ceiling rates filled in. After considerable negotiation, United and Autogiro entered in June, 1947, an aggrement effective as of January, 1947, which was similar to Exhibit B, but containing a ceiling limitation of $500 an aircraft prior to January, 1949, and 2% of the aircraft sales price thereafter.[13]

In 1947, the plaintiff offered to the Piasecki Helicopter Company, the Bell Aircraft Company, and the McDonnell Aircraft Company a package license similar to the '47 United license, but only with the 2% limitation and not the $500 an aircraft provision.[14] *Each of these firms refused to accept such a license.* Piasecki, in particular, indicated that considering the state of development of the helicopter industry in 1947 to 1948, *Autogiro's demands were unreasonable.*

Thus, the record clearly indicates that in the postwar environment, Autogiro *itself* considered a 2% royalty to be

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13. The foregoing rate arrangement was firmly offered to United at least as early as January 7, 1947, and, after some modification by United's provisos, was essentially agreed to on February 26, 1947.

14. In 1947, Autogiro also offered to Piasecki a 2% license with a ceiling of $1,000 per aircraft for 1947 and 1948. That license was also considered *unacceptable* by Piasecki. The offers, including a 2% ceiling, were made in July, 1947, *before* any production version of Piasecki helicopters were accepted by the Government in October, 1947. [DA14, DA15, DA16].

just compensation for the use of its patents. In fact, in an October, 1947, letter [DA17-15], plaintiff's attorney, Raymond Synnestvedt, stated that 2% is the plaintiff's postwar rate.

These offers in 1947 and 1948 represent plaintiff's *own evaluation* of the postwar value of its patents. The probative value of these offers is greatly enhanced when it is consider that they represent the "positive actions of those most concerned in reaping the greatest profit from a patented monopoly." *Richmond Screw Anchor Co., supra.*

Therefore, plaintiff's own actions set a *maximum ceiling of 2%* on its recovery in this postwar accounting period.

In the alternative, even if the Court were to accept the Trial Judge's conclusion that the defendant's compulsory compensable license was fixed in November, 1946, and, therefore, comprised the provisions of the Firestone '44 Agreement signed in March of that year, the plaintiff's January 7, 1947 offer to United and its acceptance of the 1947 agreement would operate as a ceiling on plaintiff's recovery.

The Firestone '44 agreement contained as Section 12 a most favored licensee provision which grants to the licensee the benefit of any lower rate granted on substantially the same terms and conditions as the Firestone license. Clearly, the United '47 agreement triggers the operation of that clause and, even under the plaintiff's and the Trial Judge's fixed license theory, would establish a maximum ceiling of 2% effective in June, 1947, before any major procurement in this case.

APPENDIX E.

Respondent's Exhibit PA-262.

BYERLY, TOWNSEND & WATSON

MEMORANDUM

June 9, 1948

UNITED AIRCRAFT CORPORATION

Re: AUTOGIRO MATTERS.

Attached is a copy of a preliminary draft of memorandum which I prepared last week and took to Hartford with me on the night of June 3rd. It was used as the basis for a conference on June 4th with Messrs. Walsh, Chatfield, Whelan, Pease, Shelton and myself. Although only a preliminary draft, copies were left with Mr. Walsh, Mr. Chatfield, Mr. Pease and Mr. Whelan. Mr. Walsh read and approved the draft, and said that it gave him "just what he wanted". He subsequently gave it to Mr. Horner who has read it, and Mr. Pease gave it to Mr. Jackson who has also read it.

I was anxious to do a little polishing and editing and to put the draft into better form, smoothing the language in places and perhaps making a little amplification; but since Mr. Walsh and the others concerned expressed themselves as entirely satisfied, and everyone has read it who will read it, it was decided by Mr. Chatfield and the others that we should not at this time go to the expense of putting it into final form, or even doing any more work on it.

Accordingly, the attached copy is filed in the form in which the original and other copies were distributed on June 4th to everyone concerned.

C.B.L.

PRELIMINARY DRAFT

MEMORANDUM AS TO AUTOGIRO PATENTS

We have now been asked to consider or reconsider twenty-four out of the more than two hundred patents presently licensed to us by Autogiro. These twenty-four have been selected by Mr. Gagarin, from a consideration of all the patents. They include twelve concerning which I gave an opinion about two years ago and twelve which I had not previously seen.

In the time since Mr. Cagarin's latest report (May 3, 1948), it has been physically impossible to make an exhaustive study of the new patents and new constructions; and a study of any additional prior art, and of the voluminous file-wrappers, has been out of the question, for time reasons. Rather than attempt a conclusive study of one or two patents, it was decided to make a relatively superficial, but comparative, study of all the patents, to the extent possible in the time available, and to essay (a) a rough comparison of the new patents with those previously carefully considered; (b) a general evaluation of the developments since the opinions of two years back; and (c) an estimate of the status of the new helicopter models developed since the S-51.

The results to date may be summarized roughly as follows:

1. *Comparison of Newly-Considered Patents with Those Formerly Studied:* The twelve newly-considered patents are of the same general type as those previously considered, but at least two of the more troublesome new ones are of the same date as, or later than, the Cyclical Pitch Control patent previously thought to be among the most dangerous (expiration date, 1962). A number of other new patents are also relatively recent.

Of the claims particularly pointed out by Mr. Cagarin in the newly-considered patents, the relatively superficial examination so far completed indicates that our defenses, and chances of success, would run about the same gamut as with the patents previously considered. None so far appear to be much worse, if any, for us than the Cyclical Pitch or Articulated Blade patents; while some of the new ones, at least against some of our models, appear less dangerous than patents previously considered.

2. *Probability of Successful Defense:* As tc any one of the twenty-four patents now under consideration, it seems a reasonable expectation that enough time and enough work would serve to develop at least a substantial defense. However, if sued on all the twenty-four patents, and especially in view of some of our own publications and prospective publications, I think that we would have to face the fact that Cierva and Autogiro have made a sufficient contribution, and that we ourselves have conceded them sufficient accomplishment, so that a court would be likely to sustain at least some of their patents against us. It seems extremely improbable that, even with the hardest work and the greatest preparation, we would be able to win on every patent of the twenty-four. I would expect to win on many of them, but would also expect a certain number of the patents to be sustained against us, both on the basis of the law of averages and because of admitted contributions attributable to the plaintiff.

3. *Exhaustive Study of Each Patent Perhaps Premature at This Stage*: It was concluded that, for present purposes, an attempt at exact evaluation of the defendant's chances on each one of the respective patents might not be sufficiently helpful to justify the very great time and expense involved; and would certainly be impossible before June 30th.

Although Mr. Gagarin's selection of the patents, and of the claims to be considered, coincides to a substantial extent with Autogiro's own selection recently put forward by them to the Army and Navy,* we still have no assurance that the precise patents and claims which we are now studying are those upon which Autogiro would elect to sue. Thus an exhaustive study and preparation, such as would be required for a law suit, and also for a categorical opinion, might be partly wasted at the present stage. Moreover, it would lead only to an opinion at best, which is simply one man's opinion against that of another, and is never conclusive as to the court's actual decision. For that reason, it was thought that the available time could be spent to better advantage as indicated below.

In general, the defendant usually has the better side of a patent case in these days, barring exceptional circumstances; and practically every defense can always be improved through continued search, investigation, preparation and infinite hard work.

An attempt has been made to evaluate the twenty-four patents upon various general grounds, with the following results:

4. *Expiration Dates*: The earliest date upon which we can give notice of cancellation of our license is June 30, 1948. If that is done, the license terminates December 31, 1948. No suit can be commenced against us until we make a *commercial* sale of a helicopter after termination of the license (January 1, 1949 or later). No commercial sales of helicopters are now definitely scheduled for *any* time after the end of the present year.

* Of Mr. Gagarin's twenty-four selected patents, twenty-one are on the list of seventy-eight which Autogiro very recently sent to the Army and Navy as typical of all; and Autogiro's selection of typical claims often includes claims also singled out by Mr. Gagarin.

Of the twenty-four patents, the first thirteen expire before the end of 1951. It seems altogether unlikely that a suit commenced after the first commercial sale in 1949 could reach final determination before the end of 1951. Autogiro admits that none of these patents has ever been litigated, and there seems no likelihood of a preliminary injunction in the absence of prior adjudication.

Even in the event of an unfavorable decision in the district court, any injunction would probably be suspended pending decision on appeal, upon our giving a supersedeas bond; and an appeal would probably require an additional year at least. Thus, as to these thirteen patents, our concern would probably be limited to money damages rather than an injunction.

These thirteen patents include some of the twelve previously studied which were then considered the most dangerous; but do not include Cyclical Pitch Control. They do include the dangerous Articulated Blade patent, blade balancing, and the two very troublesome damper patents.

There are four more patents expiring before the end of April 1952. These do not include any considered to be in the most dangerous category, except for No. 1,999,136 relating to a metallic blade. Investigation to date indicates that our metallic blades probably do not infringe that patent, but this is subject to confirmation upon much further study of the file-wrapper end of the prior art.

As to these four patents, also, we probably do not have to feel serious fear of an injunction.

This leaves seven patents having expiration dates from 1955 to 1964, of which the four latest are probably also the most troublesome in this group. They include No. 2,380,582, Cyclical Pitch Control, expiring in 1962, which, in my opinion, is probably the most serious patent

that we now have to face, in view of the early expirations of some of the others. Thus these seven patents cannot be dismissed on the basis of expiration dates alone, and we have considered them on a different basis:

5. *Expected Commercial vs. Government Sales*: As to all sales by us to the Government upon Government contracts, with the "authorization and consent" of the Government according to the usual clause, we are not subject to direct suit, and neither we nor the Government are subject to any injunction. Plaintiff's only direct remedy would be by suit for money damages against the Government in the Court of Claims.

As to Government business, the situation has changed radically within the last two years. While two years ago it was expected that the majority of foreseeable sales would be commercial, it is now expected that the great majority presently foreseeable will be made to the Government. It is understood that the current estimate of commercial sales for 1949 is only about six ships, all S-51s, and a like estimate for 1950, none of which are on orders now booked. This is out of an estimated total sales of about eighty-four ships for 1949 and forty-seven for 1950, divided between S-51s and HJS-1s. No S-52s are included in either estimate.

Thus any suit brought against United before the end of 1950 would, as presently estimated, involve only about twelve ships sold commercially, and for which no present orders exist. It seems open to some doubt whether the possible recovery would justify so expensive a law suit, from Autogiro's point of view.

If in your Government contracts for those ships you have or should hereafter accept the indemnity clause now incorporated in the current version of the Joint Procurement Regulations, you would presumably have a contingent liability over to the Government. Autogiro is now engaged in attempting to negotiate a license to the Government. These negotiations are apparently proceeding with extreme slowness, Autogiro having delayed from last summer until recently to furnish the before-mentioned memorandum of seventy-eight patents, requested by the Government.

Even in the event of suit by Autogiro against the Government, such an action in the Court of Claims would probably consume several years. Under present Government policies, to the extent that procurement of our production was involved, we would probably have the right of consultation, and possibly of participation, in the defense.

It is usual in the Court of Claims to enter into a stipulation severing and deferring the accounting, if any, so that that would involve a subsequent and probably lengthy proceeding, should the Government lose on the merits.

Even then a judgment is not automatically paid, but awaits an appropriation by Congress. Only after such appropriation and payment would the Government be in position to attempt to collect over from United on any indemnity that it might have given, and while the Government would then presumably have that legal right under the contract, it is understood that such right has, in the past, not ordinarily been exercised by the Government in cases in which the contractor gave adequate cooperation in the defense.

Since such an action against the Government involves no problem as to injunction, any contingent liability could presumably be dealt with by general or special financial reserves.

6. *Patents Classified as to Possible Damage to Us by an Injunction:* An attempt has been made, especially as to

the eleven patents expiring subsequent to 1951, to determine how serious might be the consequences of an injunction, even though applicable only to commercial sales. This in itself is difficult to foresee because an injunction would be highly unlikely before the litigation was concluded and our remedies exhausted. Since that would require several years, the engineering situation might well have changed during that time.

To give extreme examples, however, the Cyclical Pitch Control patent No. 2,380,582, expiring in 1962, would, according to both Mr. Sikorsky and Mr. Gluereff, be extremely inconvenient, although not impossible, to avoid. The VS-300 was flown without it, and Mr. Sikorsky thinks that a ship without Cyclical Pitch Control is theoretically possible even now; but it probably would not be satisfactorily competitive. However, if the patent were sustained against us, it would presumably (but not necessarily) be sustained also against our competitors, so that all would have to take licenses or submit to injunction.

Such a claim of this patent as claim 1 is directed to means for causing the ship to fly in the direction in which the stick is moved—forward for forward flight, left for left flight, and so on. This could be avoided by rigging the ship to fly forward for backward motion of the stick, left for right motion, and so on, thus reversing the present controls. Motion of the controls is said to be an acquired habit rather than an instinct. While such reversal is thus theoretically possible, and we demonstrated a similar possibility in the *Pelterie* case by actual flights by famous Army pilots, it is understood from Mr. Gluereff that the direction of the responses is now so well established in pilots' training that any avoidance of the claim on that basis would now be impractical.

Thus if the Cyclical Pitch Control patent were sustained agains us, as to such claims, and in its broadest

possible scope, even after all our remedies had been exhausted, there seems little doubt that an injunction would be a very serious matter as regards commercial business (it does not need to be considered as regards Government business), and we should probably have to take a license.

As to the probable availability of a license after litigation and injunction, it should be considered that Autogiro is purely a patent holding company and, having no manufacturing activities of its own, can derive income only from licenses or the collection of damages. Thus were it, in the last eventuality, to be entitled to an injunction as the result of prolonged litigation, it still seems unlikely that Autogiro would profit by insisting upon an injunction rather than a license. It seems probable that a license would be negotiated even at that time, although higher rates would undoubtedly be demanded under a thus-sustained patent, after an unsuccessful but expensive defense.

At the other extreme as to potential damage by injunction, there is patent No. 1,989,554 expiring January 30, 1952 and relating to blade folding. This has, as claim 2, a claim directed to the use of one or more additional pivots for each blade "for folding purposes". As at present advised, any type of blade folding is used only on ships for the Armed Services, principally Navy ships, which require blade folding for storage; but such ships are not subject to injunction.

On the S-51 there are two pins in the blade root-end mounting, arranged in such a way that folding might theoretically be possible, although they are placed there for anchoring and not for "folding" purposes. However, while in the current construction these pins are arranged vertically in the collar at the root of the blade, I understand that, in new designs, they could equally well be arranged horizontally, without additional expense, and perhaps this

will be done in any event. Thus by the simplest change, without expense, and perhaps even as a desirable change for engineering reasons, this patent could be avoided even if an injunction were issued.

Further, there seems substantial doubt whether this patent, even in its broadest terms, would be infringed in any event by our folding system on the S-51, and it is one of the patents upon which we would have one of the better and easier defenses as regards structures for commercial sales.

The other patents in this group of eleven are believed to fall within the extremes indicated by the two specifically dealt with.

7. *Differences in Patent Position of Our Different Structures*: As between the S-51, S-52 and Navy ships, there are undoubtedly substantial differences in their status with relation to the Autogiro patents. But these are not all in one direction, and at the present stage of the investigation it would be hard to say that the S-52 and Navy ships stand better than the S-51. Upon several of the more troublesome patents (Cyclical Pitch, Articulated Blades) they seem to stand about alike. It is true that the substitution of the metal blade tends to eliminate one or more patents which give rise to concern as to the fabric blades, but it does require consideration of at least one additional patent pertaining to metal blades, No. 1,999,136. As to this, however, we seem to have quite the better of the situation on infringement.

While I am not yet prepared to give a categorical answer, I have the present impression that the substitution of the metal blades (used on the S-52 and Navy ships, and soon intended on the S-51) tends to improve our situation, and also that, as to at least some of the seven

patents last expiring, the S-52 and Navy ships stand better than does the S-51.

Attached is a rough draft of an attempted "Score Sheet" prepared by Mr. Gagarin at a result of our conference in Bridgeport last week. While I have not yet had time personally to check all its conclusions, it at least illustrates the situation as to the respective models as I now see it, and also seeks to compare them with Bell.

8. *Comparison of Our Situation with that of Bell*: I understand from recent conversations with the Bell attorney that they have spent at least nine months in intensive investigation of the more than two hundred Autogiro patents. They now have it sifted down to some three or four patents having an apparent verbal or *prima facie* application to their structure, but which they believe can be invalidated or eliminated by a proper showing of prior art, or construction of the claims. These few remaining patents are now under final engineering investigation at Bell.

This situation of a *prima facie* application of the claims, and the consequent necessity for a defense by prior art or limitation by interpretation or construction, in one which confronts us as to the greater number of patents under consideration. It is one of apparent "coverage", and the necessity for finding reasons for limitation of the apparent scope, or prior art defenses. By relatively little effort on the part of a plaintiff, a *prima facie* case is made out on such a patent, and a heavy burden then shifts to the defendant.

That Bell has encountered that situation in only a few patents, while we have it in the majority of the twenty-four now under consideration, indicates to me that the Bell structure may stand considerably more favorably than ours as regards the Autogiro patents. This seems to

be confirmed to some extent by the final column of Mr. Gagarin's attached "Score Sheet", although the latter indicates that Bell stands much as we do on "Cyclical Pitch Control" and some of the other troublesome patents.

I am informed that Bell feels reasonably satisfied with the Oehmichen and other prior art against the Cyclical Pitch Control patent and that, if current engineering studies confirm their now tentative conclusions as to it and a few other patents, Bell will, within a few weeks, give to Autogiro a definite written refusal of a license. Bell would then be prepared to stand suit; and its patent attorney has indicated a willingness to cooperate with us in the defense of such a suit, as to representation by counsel and otherwise.

9. *Competitive Situation as to our License*: Autogiro concedes in its recent letter to the Army and Navy that none of the patents have been or are now in litigation and that no notices of infringement have been sent.

The Government is at present apparently in the stage of considering the Autogiro patents upon Autogiro's request that the Government accept a license. So far as known, it is Autogiro which is pressing the Government to accept a license, rather than the Government which is seeking one.

Bell certainly has no license, and if our information is correct, is likely to give a categorical refusal of one in the near future.

Autogiro informs us that it is in negotiation with others for a license; but so far as is known, we are at the present time the only company with any substantial production that pays royalties under the Autogiro patents or acknowledges them. This undoubtedly places a substantial burden upon us in competition and might furnish a strong argument in our favor, in the event of negotiations seeking a more favorable license.

10. *Business Considerations*: These are of course primarily for Mr. Whelan and others, rather than for the attorneys. Nevertheless, after having spent the greater part of a day with Mr. Whelan in Bridgeport, in discussing this matter from all aspects, it may not be out of place to say that I have the distinct impression that there are compelling business and practical considerations which might form a much better basis for attempting to negotiate a new and more favorable agreement with Autogiro than would any purely patent considerations. While patent and legal aspects of the situation might also be used, especially as a supplement, I think the direct business and practical argument is more likely to succeed. In a discussion between opposing patent counsel, purely as to merits or faults of individual patents, it is unlikely that either side would ever succeed in convincing the other. Detailed discussions purely on that basis often do more harm than good.

11. *Articles and Other Publications Possibly Chargeable to Defendant*: A start has been made toward the examination of books, articles and other material which might be used against us, in cross-examination of our witnesses.

There seems no doubt that Mr. Sikorsky himself is by all odds the best witness available to either side; and if his services were fully available to us, as patent expert or as a fact, practical and historical witness, they would be invaluable and perhaps decisive on a close issue.

In connection with the current investigation my attention was directed to a proposed article by Mr. Sikorsky, drafted for publication in the forthcoming edition of Collier's Encyclopedia. While this was given to me simply for my own information, and without any thought I should consider it for statement of possible embarrassment to Mr.

Sikorsky, I did read it from the latter point of view, as being of most interest to a trial lawyer. In doing that I found, in the preliminary draft, a number of statements which, if published, our adversaries would undoubtedly use for the purpose of confronting Mr. Sikorsky, or any other witness that we might put on, in cross-examination. It is a very common thing in a trial for cross-examining counsel to confront the opposing expert and other witness with various writings and publications that he has made; and certainly we should have to expect that from our adversaries here. It is a standard part of preparation for trial to search all publications (including patents) of possible use in cross-examining opposing witnesses, and to seek to know all publications possible usable against one's own witnesses.

However correct the proposed statements in the Collier article may be, to the extent that they go, they at least appear incomplete and many would probably require explanation. Strictly from the point of view of this prospective litigation, therefore, I think it would be preferable to have the proposed Collier article withdrawn.

Study of the foregoing article led naturally to a consideration of many of Mr. Sikorsky's other writings, lectures, books, and papers. Of these, one which would undoubtedly require careful consideration, and very probably some explanation (which I think Mr. Sikorsky is prepared to make), is an article in the Journal of the Aeronautical Sciences, Volume 9, No. 6, June, 1942. The first two paragraphs of this article are as follows:

> "Even a brief glance at the history of direct lift aircraft reveals that the primary problems that were encountered in this field were those of (1) stability, (2) control, and (3) the smoothness of operation of rotors and of transmission mechanisms.

> "During the nineteen twenties, however, extensive research and experimentation was carried on by Juan de la Cierva and his associates on the autogyro which made possible for the first time a practical understanding of many principles of rotating wings, including the famous articulated blades, rotor balance, rotor control, etc. The impulse given by the successful work of de la Cierva, as well as the general progress in aeronautical engineering, finally permitted the successful solution of all main problems connected with the design of a helicopter."

I have also made a rather careful examination of Mr. Sikorsky's book entitled "The Story of the Winged-S", more especially with reference to the early chapters concerning the 1909 and 1910 helicopters and the final chapter apparently added about three years after the first edition. On pages 269 and 275, as well as elsewhere, I found statements which would need very careful consideration in connection with any testimony which Mr. Sikorsky might give.

On the whole, I think the net result of all the writings and proposed writings which I have so far examined is to make our defense more difficult than was formerly believed. I think they contain material tending to extoll the work of Cierva, emphasizing the difficulties in the development of a successful helicopter, and tending to emphasize the unsuccessful or paper character of some of the prior art upon which we shall probably have to rely. They indicate that few if any of the early helicopters, representing attempts to build the structures of the prior-art patents making our defense, had any success in their time, thus weakening the effect of the prior art. No doubt this can be explained to some extent, but it will certainly make an explanation necessary.

While perhaps no insurmountable difficulties are thus presented, nevertheless all this material would have to receive the most exhaustive consideration, both in the selection of witnesses and in the preparation of their testimony. I think its net effect is to make our defenses, as to several of the patents, less strong than was previously supposed.

RECOMMENDATIONS

1. That an attempt be made to negotiate a new agreement with Autogiro upon much more favorable terms and at lower rates than the present one. In such an agreement I should like to see the rates very materially reduced and the "flowback" eliminated.

2. If the corporation is willing to assume the risks involved in attempting to renegotiate the present license upon more favorable terms and, failing that, to stand suit, the negotiations might be facilitated by giving a formal notice of cancellation, on or prior to June 30, 1948. We might, of course, come out with a worse rather than a better agreement, or end with none and the consequent probability of early litigation.

3. The patents with which we are mostly concerned center around the motor head, blades and controls. They have little application to the power plant, chassis and other parts upon which, under the present agreement, we nevertheless have to pay royalty at the rate of 2% beginning January 1, 1949.

I feel that negotiations for any new agreement should be directed intensively to an attempt to base any percentage royalties exclusively upon the parts and components which are actually covered by the patents,—excluding all such things as the engine, chassis and equipment.

4. After extensive discussion with Mr. Whelan, it seems to me that some basis which would work out to around $200 a ship for the present large ones (S-51 and Navy) and to around $100 a ship for the S-52 might be reasonable and justified. Against the burden of such payments under a license you would have to set the undoubtedly large expense, time and disruption of business entailed by a law suit, and the definite uncertainty of its outcome.

Approximately the foregoing results might be reached on several different bases of computations, as (a) approximately 2% (I understand) on the components actually covered by the patents; or (b) a weight basis along the lines discussed two years ago.

Any such precise terms necessarily involve more business than legal considerations, but it may not be out of place to give my own feeling that the approximately $1500 a ship to which the present rates would increase after January 1, 1949 is a heavy burden for us to carry in view of the character of these patents, and especially at the now-scheduled product rate. I understand that estimates are now that royalties at the increased rate of the present agreement would amount to some $235,000 during the years 1949 and 1950 alone; that about $79,000 has already been paid under the former agreements from 1944 through 1947 (much of which was charged to the Government); and that about $39,000 royalties are estimated for 1948.

No doubt these royalties collected from us are used by Autogiro for soliciting additional patents and may also be used to finance future litigation against us.

Accordingly, if the existing agreement is to be cancelled, the present seems as favorable a time as can now be foreseen, either to attempt the negotiation of a more favorable agreement or to stand suit should that prove necessary.

5. I suggest that the proposed Collier article be withdrawn from publication.

6. I recommend that we maintain communication with the Bell attorneys, for exchange of at least general information, and for discussion of the possibility of a satisfactory basis of co-operation in the event that either is sued.

7. Make prompt inquiry from Government counsel concerning the present status of their investigation, and their intentions as to taking an Autogiro license.

8. Continue intensive study of the potentially more troublesome Autogiro patents, especially with reference to Mr. Gagarin's newly discovered prior art and the file-wrappers of the twelve additional patents. These are matters that I have not yet been able to study, for reasons of time.

9. Complete any remaining steps recommended in my previous opinions.

No. 77-665

IN THE

Supreme Court of the United States

October Term, 1977

UNITED STATES OF AMERICA,
Petitioner

v

STEPHEN PITCAIRN, AGENT FOR THE FORMER SHAREHOLDERS OF AUTOGIRO COMPANY OF AMERICA,
Respondent

RESPONDENT'S BRIEF IN OPPOSITION TO

1. BELL HELICOPTER TEXTRON'S MOTION FOR LEAVE TO FILE A BRIEF AMICUS CURIAE, and
2. ELTRA CORPORATION'S MOTION FOR LEAVE TO FILE A BRIEF AMICUS CURIAE

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-665

UNITED STATES OF AMERICA,

Petitioner

v.

STEPHEN PITCAIRN, AGENT FOR THE FORMER SHAREHOLDERS OF AUTOGIRO COMPANY OF AMERICA,

Respondent

RESPONDENT'S BRIEF IN OPPOSITION TO

1. BELL HELICOPTER TEXTRON'S MOTION FOR LEAVE TO FILE A BRIEF AMICUS CURIAE, and

2. ELTRA CORPORATION'S MOTION FOR LEAVE TO FILE A BRIEF AMICUS CURIAE

Respondent objects to, and respectfully suggests that the Court deny, the subject Bell and Eltra motions because:

I. Respondent's consent to the filing of such briefs was withheld for good reason;

II. The motions and proffered briefs demonstrate that Bell and Eltra are unworthy candidates for the role of *amicus curiae;* and

III. The motions, even as augmented by the proffered briefs, do not present the showing required by Rule 42.

I. Respondent's Consent Was Reasonably Withheld

Respondent withheld its consent to the filing of *amicus curiae* briefs by Bell and Eltra for the following reasons:

First. The Court should not be burdened with extra briefs in support of a Petition which the Court is without jurisdiction to entertain since the Petition was not filed within the period allowed by law. [See Respondent's main brief, pp. 1-14, also see footnote 5, p. 7, *infra*]

Second. Bell and Eltra, as purported indemnitors, are Petitioner's friends, not the Court's. They cannot be expected to present anything which would displease their patron and favored customer. As reported by one of the Government's accounting witnesses, C. B. Townsend, ". . . it is understood that such right [the right to indemnity] has, in the past, not ordinarily been exercised by the Government in cases in which the contractor gave **adequate cooperation** [1] in the defense." [Townsend's June 1948 Memorandum, Resp. App.[2] E, p. 27a]

Third. The speculations of Bell and Eltra as to the supposed effects on Petitioner of the decision below do not assist the Court in its assessment of the Petition.

Fourth. Bell is a behind-the-scenes party, having had ample opportunity to contribute to the Government's Petition. See Bell's own statements in its proffered brief (beginning last sentence page 3—page 4) as to its "consultation" and participation with the Government in the proceedings before the Court of Claims.

Fifth. George Galerstein, Esq., Bell's Chief Legal Counsel, who sought Respondent's consent to the filing of an *amicus* brief for Bell, and who authored and filed the

1. In all quotations, **such emphasis** has been added.

2. Throughout, Resp. App. refers to an Appendix of Respondent's main brief filed December 29, 1977, and Pet. App. refers to an Appendix of the Petition.

subject motion and the now proffered brief, **testified extensively** [3] **on behalf of the Government** at the trial on the issues of patent infringement and validity in this case. He also procured and designed the testimony of one of the Government's witnesses [4] on royalties. Such direct participation by Mr. Galerstein in the proceedings below disqualifies him from serving the Court as an *amicus*.

II. It Is Evident From Their Submissions to the Court That Bell and Eltra Do Not Meet the Standard of Candor—Higher Than That of an Advocate—Required of *Amici*

1. Bell and Eltra, parroting Petitioner, assert that the Court of Claims by its decision herein has opened the door for patent owners to raid the Treasury. Eltra's argument culminates in what it calls a "scenario", dramatizing the proposition that the Court of Claims, using its decision in this case as precedent, will hereafter award patent owners damages based on exorbitant rates. That "scenario" is of a comedy of errors, based on the contrivances of mistaken identity and deliberate misdirection of the attention of the audience.

The submissions of both Eltra and Bell lead the Court's attention away from the fact that the Court of Claims was confronted in this case with a most unusual situation, and that it clearly and consciously dealt with that situation in a way which makes impossible the imagined results which Eltra predicts and reiterates in various guises starting on page 13 and throughout the rest of its proffered brief, and which Bell also embraces on pages 8-9 of its proffered brief.

3. Liability trial transcript, Vols. 60, 61, 87, 88, and 110 through 122.

4. Testimony of Froesch on Feb. 20, 1974, accounting trial transcript, pp. 6396-97, 6400-01, 6408-10 and 6416.

In this case, the Court of Claims was confronted with the situation (1) in which its specially designated Trial Judge, Donald E. Lane had recommended the award to Respondent—for the infringement of eleven patents—of royalty compensation amounting to about 3.85% of the contract cost for the infringing procurement, (2) in which Respondent supported those recommendations, on the basis of plaintiff's 16-year licensing history *prior and up to the commencement* of the Government's appropriation of plaintiff's patented property after World War II, and (3) in which the Government, while advocating a royalty of .13%, hedged its bets by inviting the Court of Claims—if it gagged on the .13%—to split the difference by using the 2% rate of the 1947 United license, **which the Government had introduced in evidence.** [See Respondent's main brief, pp. 18 & 21]

The Court of Claims, dissatisfied with both the 3.85% and the .13% rates, accepted the Government's invitation, and explained its decision in terms of reducing the royalties recommended by the Trial Judge, and in terms of rejecting Respondent's position that valuation of Respondent's appropriated property, as of any date after the commencement of the Government's taking of that property, was constitutionally impermissible.

It is thus quite understandable that the 1947 United license at 2% and Respondent's 1947 and 1948 offers of licenses at 2% were held to ". . . have a *prima facie* title to acceptance as **the reasonable royalty** . . ." [Opinion, Pet. App. B, p. 51a]; that is, that **Respondent** could not be heard to complain if the Trial Judge's recommended award was "meat axed" [Pet. App. B., p. 77a] to the level at which Respondent had offered post-war licenses generally.

Bell and Eltra argue that this language will induce future "claimants" to offer licenses contrivedly, at unrealistically high rates, and then bring proofs of such offers before the Court of Claims, and that on the precedent of this case the court will enthusiastically base awards on such offers.

In making that argument, **both Bell and Eltra have failed to advise the Court** that the Court of Claims' opinion, in clear language, has precluded the very result Bell and Eltra have conjured up. Thus, they have failed to advise the Court that the Court of Claims' opinion announces not only that it **will not countenance** "attempts by the condemnee to seek a *higher* award on the basis of offers **made by or to him"** [Pet. App. B, p. 50a], but that it will use such offers, **at the behest of the condemnor,** to arrive at *lower* awards:

> "It is obvious that, although the inherent defects of offers made *by* condemnee owners prevent the opposite party, the condemnor, from being bound by such offers, **there is no reason why the owner himself should not be held to his own offer."** [Ibid]

In that one sentence the Court of Claims gave notice that it would not allow the Treasury to be raided as Bell and Eltra direly predict, and, at the same time, explained its consideration and use of the unaccepted license offers —which were also adduced by the Government—*to cut down* a recommended award which the court considered too high.

The clarity with which the Court of Claims has thus expressed itself precludes any candid pursuit of review in this Court as sought by Petitioner and as seconded by Bell and Eltra. It was only by the stultifying tactic of **pretending** that it was Respondent, not Petitioner, who introduced, vouched for, and urged upon the Court of Claims the 2% evidence, that Petitioner and its friends could so attack the decision below. Actually, as demonstrated by the Court

of Claims' opinion, it reviewed and considered a mass of evidence on royalties and at *Petitioner's* urging, relied on Petitioner's 2% evidence to slice the award to the 2% level. [Respondent's main brief, pp. 20-27]

It is disappointing that Petitioner failed to inform the Court of crucial facts—Petitioner's introduction of and reliance on the 2% evidence. It is more than disappointing that the prospective *amici* likewise have failed to so inform the Court.

II-2. Petitioner's ultimate objective is to have the Court declare that Glassman's .13% royalty rate is *the* proper measure of compensation in this case. Respondent has pointed out in its main brief (pp. 27-30) that the evidence on which Petitioner relies is both irrelevant and incompetent. Bell and Eltra seek to prop up the .13% rate by falsely representing, or at least implying, that Glassman's testimony comprehended the essential element of reasonableness. They both do this through the device of the same unattributed quotation:

> "The Government's expert witness testified as to 'reasonable and entire compensation' due respondent." [Bell's brief, p. 6, 3rd para.]
>
> ". . . The Government's able and experienced expert witness testified as to how 'reasonable and entire compensation' should be computed." [Eltra's brief, p. 11, first full para.]

The "expert witness", Lawrence Glassman, **never testified** that his proposed royalties would provide Respondent "reasonable and entire compensation"; he did testify that **'reasonableness' of royalties was not a factor which he considered.** [Trial Judge's Opinion, Pet. App. B., p. 17a]

II-3. The Chief Justice's Order of October 6, 1977, put all concerned on notice that the Petition is subject to a

grave [5] jurisdictional question. The Petition, however, contains only a perfunctory and incomplete jurisdictional statement, as pointed out in Respondent's main brief (pp. 3-7). Perhaps it is Petitioner's plan to address this question in a reply brief to be filed at the eleventh hour, and thus preclude Respondent from filing a timely response. But, for potential *amici* slavishly to copy [5] both Petitioner's Jurisdictional statement and Petitioner's stonewalling tactics on the question of jurisdiction, demonstrates that their objective is not to assist the Court, but simply to give the Petitioner two more voices.

II-4. Eltra's position as to its *interest* in this litigation is equivocal, to say the least. Eltra does not even aver that it is indemnitor to the Government, but merely says:

(1) it "will be **required by the Government** to indemnify it . . ." [Eltra's motion, p. 2],

(2) **"The Government contends** that in at least some of the contracts for . . . these [Hiller] helicopters . . . , Hiller agreed to indemnify the Government . . ." [Eltra's brief, p. 7], and

(3) "Eltra **might** be liable . . ." to indemnify the Government. [Ibid] (All **emphasis** added)

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5. Under "Jurisdiction" both of the proffered briefs reiterate and confirm the Government's admission in its Petition that "the questions presented here" were announced by the Court of Claims' opinion of December 15, 1976. As pointed out at pages 8-9 of Respondent's main brief, the statutorily limited period for filing the Petition expired on August 1, 1977, but it was not filed until November 9, 1977. And, in its application for the maximum 60-day extension for filing a petition, i.e., to August 1, 1977, the Government admitted that, "The time for filing a petition for a writ of certiorari, unless extended, **will expire on June 2, 1977"**, which date was 90 days after the Court of Claims' order of March 4 on the motions of both parties for rehearing on the opinion and judgment of December 15, 1976.

Being justifiably in doubt that its uncertain status as an indemnitor would support its position as an *amicus,* Eltra falsely informs the Court:

> "Eltra has agreed to pay Respondent the same rate of compensation for certain commercial helicopters as is finally determined by the Court of Claims in this case." [Eltra's brief, p. 7]

Such an agreement was initially effected between Eltra and Respondent in November, 1963, but in May, 1967 Eltra negotiated a paid-up settlement with Respondent, on the same basis on which Bell had previously settled with Respondent, for its commercial non-Government helicopters.

II-5. In its argument as to the supposed conflict between the Court of Claims' decision in the present case and in *Tektronix v. United States,* Eltra's brief at page 16 argues that the Court of Claims should have used "its own *precedent* in the *Tektronix* case" in determining the royalty compensation to be awarded in the present case. The *Tektronix* decision *followed* and *did not precede* the Court of Claims decision in the present case!

II-6. Eltra correctly says at page 12 of its brief that the Court of Claims viewed certain of Respondent's negotiations with United in 1948 "as compromises of possible litigation", and then Eltra incorrectly asserts that this view, "has no basis in the record, and can only be considered the result of speculation." Respondent's main brief (pages 24-26) discusses the evidence which was before the court regarding the 1948 negotiations with United; viz., the Townsend Memorandum [Resp. App. E, pp. 21a-38a], the United-to-Autogiro letter of July 1948 [footnote 11 to the opinion below, Pet. App. B., pp. 48a-49a], and the Government's August 1948 defiance of Autogiro [Finding 471, Resp. App. B, p. 14a].

Eltra is obviously unfamiliar with the evidence and imperfectly informed as to the Court of Claims' opinion. How can the Court be assisted by such recklessness?

II-7. An equally glaring example of the recklessness of both Bell and Eltra is their identical charge that the Court of Claims "ignored" the 1947-1948 $500 per aircraft royalty provision of the 1947 United license [Bell brief, p. 7 and Eltra brief, p. 12] Far from ignoring that $500 royalty provision, in both its opinion [Footnote 16, Pet. App. B, p. 53a] and in its supplemental order of June 21, 1977 [Resp. App. A, p. 2a, para. 1], the Court of Claims prescribed, in accord with that provision, that Respondent should receive $500 per aircraft for the Government's infringing procurement prior to January 1, 1949.

III. The Motions, Even as Augmented by the Proffered Briefs, Do Not Present the Showing Required by Rule 42, Paragraph 3

1. Eltra does not state the nature of its interest concisely, but rather diffusely and falsely. [See Section II-4, *supra*]

2. Neither Bell nor Eltra sets forth any fact not presented by the parties—merely speculation as to the supposed effects of the decision below.

3. Both Bell and Eltra set forth "Questions Presented" which differ from those presented by Petitioner, but neither discusses the differences or ". . . their relevancy to the disposition of the case."

Conclusion

The motions of Bell and Eltra should be denied, and the proffered *amici* briefs should be rejected.

Respectfully submitted,

J. Edward Shinn,
Attorney for Respondent

William P. Cole,
Of Counsel.

No. 77-665

In the Supreme Court of the United St[illegible]s

OCTOBER TERM, 1977

UNITED STATES OF AMERICA, PETITIONER

v.

STEPHEN PITCAIRN, AGENT FOR SHAREHOLDERS OF AUTOGIRO COMPANY OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

REPLY MEMORANDUM FOR THE UNITED STATES

WADE H. MCCREE, JR.,
Solicitor General,

BARBARA ALLEN BABCOCK,
Assistant Attorney General,

STUART A. SMITH,
Assistant to the Solicitor General,
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Washington, D.C. 20530.

In the Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-665

UNITED STATES OF AMERICA, PETITIONER

v.

STEPHEN PITCAIRN, AGENT FOR SHAREHOLDERS OF AUTOGIRO COMPANY OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

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1. Contrary to respondent's contention (Br. in Opp. 7-14), the petition for a writ of certiorari was timely filed. The pertinent statute—28 U.S.C. 2101(c)—provides that "Any other appeal or any writ of certiorari intended to bring any judgment or decree in a civil action, suit or proceeding before the Supreme Court for review shall be taken or applied for within ninety days after the entry of such judgment or decree. A justice of the Supreme Court, for good cause shown, may extend the time for applying for a writ of certiorari for a period not exceeding sixty days."

Here, the final judgment of the Court of Claims was entered on July 12, 1977 (Pet. App. D, *infra*, pp. 113a-115a). By order dated October 6, 1977, the Chief Justice extended the time for filing a petition for a writ of

certiorari to and including November 9, 1977, and the petition was filed on that date. Hence, the petition for a writ of certiorari was timely applied for—*i.e.*, it was filed (28 U.S.C. 2101(c)) within the extended period "not exceeding sixty days" from the date "ninety days after the entry" of the judgment of the Court of Claims.

Respondent argues (Br. in Opp. 7-14) that the government's time for seeking certiorari ran from the date of the Court of Claims' opinion and not from its judgment.[1]

But the Court rejected the identical argument in *United States* v. *Bianchi & Co.*, 373 U.S. 709. There, the Court of Claims rendered a decision as to liability and entered a final judgment assessing damages two and one-half years later. The government sought certiorari from the final judgment and the respondent urged that the petition was untimely. However, this Court granted certiorari (371 U.S. 939) and decided the merits (373 U.S. 709),

[1]That opinion, entered December 15, 1976, concluded (Pet. App. B 71a-72a) that respondent "is entitled to recover from the United States in accordance with the opinion. Judgment is entered for the plaintiff to that effect. The amount of recovery, including both the basic amount of compensation and the delay compensation, will be determined pursuant to Rule 131(c) * * *" of the Court of Claims.

Under the Court of Claims practice, this meant that the case had to be remanded to the trial judge for further inquiry into the amount to be recovered, and that the court's final action could not and would not be taken until the trial judge had made his determination, and, if necessary, the court had reviewed that decision. In this case, there was still a considerable controversy over the computation of the judgment. But even if the post-opinion proceedings were routine, the action of the Court of Claims was not final until the trial judge had acted, and the Court of Claims had entered its judgment, which it did on July 12, 1977 (Pet. App. D, pp. 113a-115a). This practice of the Court of Claims has been described by the clerk of that court in Peartree, *Statistical Analysis of the Court of Claims*, 55 Georgetown L. J. 541, 547, and n. 38 (1966).

notwithstanding the argument presented by the respondent in its brief in opposition, and answered by the government in a reply memorandum (No. 529, October Term, 1962) that the time for filing the petition expired 90 days after the Court of Claims' decision as to liability.[2] It is therefore well established that a petition for a writ of certiorari to review a decision of the Court of Claims is timely if filed within the statutory period following the final judgment fixing the amount of damages.

The government no doubt could have filed a petition upon the entry of decision here on December 15, 1976, and indeed contemplated doing so. That, however, is not because the entry of decision constitutes a "final judgment," but because this Court may review both interlocutory and final decisions of the Court of Claims. See, *e.g.*, *United States* v. *Utah Construction & Mining Co.*, 384 U.S. 394; *United States* v. *Adams*, 383 U.S. 39, 41-42; *United States* v. *Central Eureka Mining Co.*, 357 U.S. 155; *United States* v. *Caltex, Inc.*, 344 U.S. 149; *Marconi Wireless Co.* v. *United States*, 320 U.S. 1. See also Stern & Gressman, *Supreme Court Practice*, pp. 71-72 (4th ed. 1969). This flexibility is emphasized by the wording of the statute governing review of cases in the Court of Claims. Thus, 28 U.S.C. 1255, states: "Cases in the Court of Claims may be reviewed by the Supreme Court by * * * writ of certiorari * * *." It carefully avoids

[2]Likewise, in *United States* v. *Estate of Grace*, the Court granted certiorari (393 U.S. 975) and decided the merits (395 U.S. 316), despite the argument advanced by the respondent in its brief in opposition, and answered by the government in a reply memorandum (No. 574, October Term, 1968) that the time for filing the petition expired 90 days after the issuance of the Court of Claims' opinion.

limiting review to "final judgments of degree," the language used in 28 U.S.C. 1257 to define this Court's jurisdiction to review State court decisions.[3]

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[3]*Federal Trade Commission* v. *Minneapolis-Honeywell Co.*, 344 U.S. 206, upon which respondent relies (Br. in Opp. 10-12, 14), is irrelevant. There, the court of appeals entered a final judgment that reversed the single contested part of a three-part Federal Trade Commission cease and desist order, but did not mention the two uncontested parts. The Commission filed a memorandum several weeks after the time for a petition for rehearing had elapsed, asking that the uncontested parts be enforced. The court of appeals then entered another judgment reiterating the reversal of the first part and affirming and providing for the enforcement of the other two parts. More than 90 days after the entry of the first judgment, the Commission sought certiorari to review the judgment reversing the only contested part of its order. In dismissing the writ as untimely sought, this Court held only that once a final judgment is entered, the time for petitioning may not be enlarged except by a timely petition for rehearing or by a subsequent decree that (*id.* at 211) "changes matters of substance, or resolves genuine ambiguity."

Here, however, the Court of Claims' opinion stated no money amount. It was only the judgment of July 12, 1977, that contained the operative order against the government in this case. It provided that the respondent was entitled to recover "fourteen million, four hundred and forty thousand, seven hundred and seventy-two dollars ($14,440,772), plus sixteen million nine hundred and eighty-two thousand, three hundred and sixty-two dollars ($16,982,362) delay compensation up to and including June 30,1977 * * *" "plus further delay compensation to be computed" on the principal sum "at a delay compensation rate of 7.5 percent per annum" (Pet. App. D, p. 114a).

Department of Banking v. *Pink*, 317 U.S. 264, cited by respondent (Br. in Opp. 10-12), is likewise distinguishable. There, the Court held that the time within which to seek certiorari to review a final judgment of the New York Court of Appeals runs from the rendition of the judgment of that court, not from the date when, under the local practice, judgment was entered on remittance in the lower state court. Here, the only judgment under review is the judgment of the Court of Claims entered on July 12, 1977, and that is the relevant date for purposes of seeking certiorari.

2. With respect to the merits, respondent attempts to reduce the holding of the Court of Claims to a factual determination by asserting (Br. in Opp. 27) that the court determined the two percent royalty rate to be reasonable "after having reviewed and analyzed Autogiro's licensing history from 1932 through 1947 * * *." But the recovery period ran from November 1946 to May 1964, during which time respondent received a royalty of $500 per aircraft to and including December 31, 1948, and then sold a paid-up license for a net price of $120,000.[4] In these circumstances, there was no basis for the Court of Claims's conclusion that respondent's "reasonable and entire compensation" from the government's unlicensed use of its patents was $14.4 million, based upon a two percent rate that never became effective and that respondent never obtained.

Respondent further argues (Br. in Opp. 21) that the government cannot be heard to complain of the Court of Claims' use of the two percent rate as the measure of the royalty compensation because the government itself introduced the unimplemented two percent agreement into evidence. But as respondent acknowledges (Br. in Opp. 17-18), it asserted in the court below that it was entitled to royalty compensation based upon an established rate of 3.85 percent, and indeed, the trial judge had upheld that claim (see Pet. App. A 1a-31a). The fact that the government introduced into evidence the unimplemented two percent agreement in order to place a

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[4]Respondent (Br. in Opp. 31) errs in asserting that the government did not object to the trial judge's exclusion of the evidence of its offer to United and its acceptance of United's counter-offer to take a fully paid-up license. The government did object to the trial judge's ruling (see Tr. 8121-8124). We are lodging with the Clerk copies of the relevant transcript pages. See also Pet. 5, n. 4.

ceiling upon respondent's recovery does not detract from our argument that respondent's "reasonable and entire compensation" may not be measured by licensing offers that were not accepted and by a licensing agreement's royalty provision that never became effective.

CONCLUSION

For the reasons stated above and in our petition, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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Solicitor General.

BARBARA ALLEN BABCOCK,
Assistant Attorney General.

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Assistant to the Solicitor General.

JANUARY 1978.

DOJ-1978-01

IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-665

UNITED STATES OF AMERICA, *Petitioner*

v.

STEPHEN PITCAIRN, *Agent for Shareholders of Autogiro Company of America*

MOTION OF BELL HELICOPTER TEXTRON FOR LEAVE TO FILE A BRIEF AMICUS CURIAE IN RESPONSE TO PETITION NO. 77-665, AND BRIEF AMICUS CURIAE IN SUPPORT OF CERTIORARI

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-665

UNITED STATES OF AMERICA, *Petitioner*

v.

STEPHEN PITCAIRN, *Agent for Shareholders of Autogiro Company of America*

MOTION OF BELL HELICOPTER TEXTRON FOR LEAVE TO FILE A BRIEF AMICUS CURIAE IN RESPONSE TO PETITION NO. 77-665

Bell Helicopter Textron is one of the world's leading helicopter manufacturers, a major military contractor with the United States Government and the manufacturer of many of the helicopters which are the subject matter of this litigation. In some of the contracts for the procurement of these helicopters Bell agreed to indemnify the Government against possible patent infringement claims. While only one patent with respect to which Bell is an indemnitor was ultimately determined to be valid and infringed and the potential monetary liability of Bell as a direct result of this lawsuit is relatively limited, the adverse effect upon Bell as a Government contractor, and

upon all parties that may contract with the Government, will be substantial. In addition to the fiscal impact that this decision will have upon Government procurement, the decision below will seriously disrupt Government-Contractor relations and will interfere with the necessary expeditious handling of Government military contracts.

The Government, as it has shown in its Petition to this Court, is well situated to describe the inevitable abuses and inflationary consequences that will burden Government procurement as a result of the decision below. However, Bell, as a major military contractor, believes that the views it seeks to present on this matter will further assist to the Court in consideration of the Government's Petition for a Writ of Certiorari.

Bell respectfully requests this Court to permit it to file a brief amicus curiae which is submitted herewith.

The petitioner has consented to the filing of a brief amicus curiae. The respondent has refused to consent to the filing of a brief amicus curiae.

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CITATIONS

IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-665

UNITED STATES OF AMERICA, *Petitioner*

v.

STEPHEN PITCAIRN, *Agent for Shareholders of Autogiro Company of America, Respondent*

BRIEF FOR BELL HELICOPTER TEXTRON AS AMICUS CURIAE IN SUPPORT OF CERTIORARI

OPINIONS BELOW

The opinion of the trial judge of the Court of Claims (see Petition For A Writ of Certiorari on behalf of United States Government, App. A., pp. 1a-31a) is not officially reported. The opinion of the Court of Claims (App. B, pp. 32a-108a), as amended on rehearing (App. C, pp. 109a-112a), is reported at 547 F. 2d 1106.[1]

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[1] "App." references are to Petitioner's Appendices, attached to the Petition.

JURISDICTION

The Court of Claims announced its opinion with respect to the questions presented here on December 15, 1976, and denied both parties' motion for rehearing on March 4, 1977 (App. C, pp. 109a-112a). The final judgment of the Court of Claims was entered on July 12, 1977 (App. D, pp. 113a-115a), and the Petition for a Writ of Certiorari was filed on November 9, 1977.

QUESTION PRESENTED

Whether reasonable and entire compensation due to a patent holder as a result of the Government's use of his patents under 28 U.S.C. 1498 can be determined by industry-wide *un*accepted offers of the patent holder.

STATUTE INVOLVED

28 U.S.C. 1498(a) provides in pertinent part:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.
>
> For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or maufacture for the United States.

INTEREST OF BELL HELICOPTER TEXTRON

Bell Helicopter Textron (Bell) is a major helicopter manufacturer, military contractor with the U.S. Government, and the manufacturer of many of the helicopters which are the subject matter of this litigation. In some of the contracts for the procurement of those helicopters Bell agreed to indemnify the Government against possible patent infringement claims. While only one patent with respect to which Bell is an indemnitor was determined to be valid and infringed and the amount of potential monetary liability to Bell directly resulting from this case will be relatively small, the adverse effect on Bell as a Government contractor, and upon all parties contracting with the Government, will be substantial.

STATEMENT

This lawsuit was initiated in the Court of Claims under 28 U.S.C. 1498 to recover reasonable compensation for the unauthorized manufacture and/or use by or for the United States of inventions covered by respondent's patents. At various times during the lawsuit respondent asserted that some thirty-two (32) patents were infringed by helicopters purchased by the Government. In 1964 the Trial Commissioner submitted 415 findings of fact on the 16 patents then remaining in the lawsuit. 384 F. 2d 391 at 401-403. In view of the extraordinarily large number of findings, the Government, in consultation with this indemnitor (Bell), selected those findings which involved

claims, and the helicopters to which they had been applied, that were considered to be of any possible substantial monetary value and elected to except to those findings with full supporting briefs and arguments. It was decided to except only generally to the remainder of the findings. All of the findings to which "full" exception (i.e. supported by briefs and arguments) had been taken were rejected by the Court. The other findings were adopted by the Court on the grounds that the exceptions to these findings were not properly taken. 384 F. 2d at 401, 402.

The Autogiro Company of America (Autogiro), dissolved in 1973, was a patent holding company founded and owned by Harold Pitcairn (Pitcairn). Throughout the 1930s and early 1940s Pitcairn, through various companies, attempted to develop a U.S. market for the autogiro.[2] Most of these efforts were unsuccessful as Pitcairn himself testified before the House Committee on Military Affairs in April of 1938 (DX 138, pp. 68-72).[3]

Just prior to the entry of the United States into the Second World War, the Government, spurred by developments in Germany in 1938, became interested in advancing the development of the powered rotary wing device, the helicopter. Developmental work was carried on in the early forties by two government contractors, Platt-LePage and the Sikorsky Aircraft Division of United Aircraft. During the latter stages of the war, the Government purchased several hundred helicopters from United.

[2] Autogiros and helicopters are both rotary wing aircraft. However, a helicopter has a power driven rotor and a tail rotor and is capable of hovering in still air. On the other hand, an autogiro is drawn through the air by a nose-mounted propeller and cannot hover in still air, 384 F.2d at 401.

[3] DX refers to Defendant's Exhibit in the liability phase of this action.

In 1941 Pitcairn sold his autogiro manufacturing business but retained his patent rights. Thereafter, his primary interest was in attempting to sell patent licenses to the rotary wing industry.

Prior to the war, Pitcairn had caused Autogiro to license himself and one other company, Kellett Autogiro, generally at 5% of the aircraft retail sale price. Those licenses allowed the licensee to use all of Autogiro's patents, as well as to receive any Autogiro technical data at cost without overhead. When Pitcairn sold his manufacturing facility in 1941, his successors-in-interest, first a company called G&A Aviation and later the Firestone Tire and Rubber Company, retained licenses similar to the one Pittcairn had sold to himself (App. B, p. 44a, n. 4).

During the war, as a result of the policy embodied in the Royalty Adjustment Act of 1942, the Government became indirectly involved in Autogiro's licensing policy. After a complex series of negotiations involving Autogiro, United (Sikorsky) and the Air Corps at Wright Field, a wartime-only license was agreed to exclusively for government-procurement at a royalty rate of 0.85% of the airframe price. The wartime licenses with United and Kellett automatically terminated six months after the cessation of hostilities (App. B, p. 45A, n. 5) and thus, after the war, Autogiro began a new round of negotiations with the helicopter manufacturers.

In March 1946, Firestone was again licensed, this time on a per patent basis at the rate of 10% of the retail value of the patented components (App. B, p. 44a, n. 4). Kellett did not take a license for post-war activities. In July 1945, Autogiro began negotiations with United (Sikorsky) for a post-war license. These ended in January 1947 when United accepted a license under all of Autogiro's patents with a royalty ceiling of $500 per aircraft for the years 1947 and 1948 and a provision that unless United cancelled the license prior to January 1949 (App. B, pp. 45a-46a), the rate would then be increased to 2% of aircraft retail sale price.

Arguing that United had in effect agreed to a 2% royalty rate, Autogiro in 1947 offered a 2% license to the entire helicopter industry, including Bell (App. B, pp. 46A). Not one helicopter manufacturer would agree to that rate. In July, 1948, United timely announced its intention to cancel the license and the 2% rate never took effect (App. B, pp. 48a-49a, n. 11). In October 1948, Pitcairn offered to sell United all of his patent rights for the sum of $750,000 (App. B, p. 95a). United refused and in early 1949, United and Autogiro entered into a paid up license covering all of Autogiro's patents (over 200) for the total sum of $120,000.

The Government's expert witnesses testified as to the "reasonable and entire compensation" due respondent based on an extrapolation from the *actual* royalty rate paid by United during the period 1946-1949. He calculated that respondent was entitled to royalty compensation of $830,377.22 (App. B, pp. 102a-106a, n. 3).

The trial judge refused to consider any transaction which occurred after November 1946, the date of first infringement by the Government (App. A, p. 15a). Ignoring the post-war transactions with the helicopter industry, the trial judge applied the royalty rate structure of some of respondent's pre-war licenses and found that the appropriate royalty compensation due respondent was $24,570,525.

The Court of Claims overturned the trial judge's conclusion with respect to the immateriality of the post-war transactions but reduced the award to $14,440,772. The Court arrived at this amount on the basis of the option provision of 2% in the United '47 license agreement although United had specifically refused to allow this rate to take effect in its letter of July 1948 and on which it had not paid one cent of royalty. This unimplemented 2% option provision of the 1947 license and rejected offers at 2% to others were the basis of the Court's determination of the market value of a license in plaintiff's patents. The royalty ceiling of $500 per aircraft, the rejected offer to sell at $750,000 and the $120,000 paid up license were ignored by the Court of Claims because it viewed them as compromises of possible litigation (App. B, pp. 51a-52a).

Although the 2% rate never became effective, the Court considered that it was "highly probative" (App. B, p. 49a) of the value of the patents because "(respondent) proposed similar licenses to other major manufacturers of helicopters, in effect announcing its post-war rate to be 2%" and "made the offer and made it widely" (App. B, p. 46a).

REASONS FOR GRANTING THE WRIT

Bell agrees with the Government in its analysis of the pernicious influence which this case will have on future compensation cases under 28 U.S.C. 1498. It will increase beyond all reasonableness the amounts of judgments against the Government in patent infringement and eminent domain suits, as has occurred in this case in the decision below. Claimants in such suits against the Government will have it within their power to bypass the litmus test of marketplace acceptance and establish an arbitrary and excessive value of their patents by the simple expedient of rejected offers.

There is an additional factor that Bell believes strongly urges the Court's acceptance and consideration of this case. Under certain circumstances the Government is entitled to be indemnified for patent infringement, as would a private citizen under the Uniform Commercial Code. The vehicle for such indemnification of the Government, relating to military procurement, is the indemnity clause set forth in Section 7-104.5 of the Armed Services Procurement Regulation. When the sale involves commercially available goods, this clause is "mandatory" and must be included in a contract with the Government, as it was with respect to some of the helicopters purchased by the Government from Bell and others in the present case. Acceptance of the standard for "reasonable and entire compensation" established by the court below will compel contractors to refuse to accept indemnity clauses for there would be no means by which the Contractor could estimate the extent of his potential liability. Absent the "willing buyer-willing

seller" standard that is the accepted basis for determination of royalty rate as exemplified in *Georgia-Pacific Corp.* v. *U.S. Plywood-Champion Papers, Inc.*, 318 F. Supp. 1116, modified 446 F. 2d 295 (2nd Cir., 1971) cert. den. 404 U.S. 870 (1971), no financially responsible Government contractor will accept the open-ended exposure that an indemnity clause would impose upon him. If a contractor were, under the pressure of business circumstances, forced to accept an indemnity clause he would necessarily assume outrageously high royalty rates for the patents in question and include such costs in his pricing. These costs would understandably and expectedly be rejected by the Government as not having been included within the commercial price for the article. Then, either the Contractor would have to assume a virtually open ended risk or the Government would have to accept excessive royalty rates as allowable costs, in violation of a Congressionally directed policy extending throughout all phases of Government procurement to conduct Government business at the maximum savings possible.[4]

The clearly inevitable result of the decision below will be to seriously disrupt Government-Contractor

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[4] By the Armed Services Procurement Act of 1947 Congress mandated a policy of competitive procurement designed to encourage separate sources for standard commercial items and thus to obtain maximum cost savings to the Government, 10 U.S.C. 2301, et seq, *Paul* v. *United States*, 371 U.S. 245. Price analysis of all types of Government military contracts must be performed to determine that the price is reasonable (see ASPR 3-807.1 (2) (d)). A price is reasonable "if it does not exceed that which would be incurred by an ordinarily prudent person in the conduct of competitive business (see ASPR 15-201.3 (a)).

relations and interfere with the necessary, expeditious handling of military contracts.

CONCLUSION

The Petition for a Writ of Certiorari should be granted.

Respectfully submitted.

George Galerstein
Chief Legal Counsel
Bell Helicopter Textron

January 1978

CERTIFICATE OF SERVICE

I hereby certify that I have this day mailed three copies of the within Motion and Brief Amicus Curiae to the Petitioner and Respondent in the above docket.

George Galerstein

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1977

No. 77-665

UNITED STATES OF AMERICA,

Petitioner,

v.

STEPHEN PITCAIRN, AGENT FOR SHAREHOLDERS OF AUTOGIRO COMPANY OF AMERICA.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

MOTION OF ELTRA CORPORATION FOR LEAVE TO FILE BRIEF AS *AMICUS CURIAE* IN SUPPORT OF CERTIORARI AND BRIEF OF ELTRA CORPORATION AS *AMICUS CURIAE*

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MOTION OF ELTRA CORPORATION FOR LEAVE TO FILE A BRIEF *AMICUS CURIAE* IN SUPPORT OF CERTIORARI

Eltra Corporation, by its counsel, respectfully moves this Court for leave to file the accompanying brief in support of the Petition by the United States of America for a Writ of Certiorari to the United States Court of Claims.

The Consent of the United States has been obtained from the Solicitor General, and this Consent has been submitted by the Solicitor General to the Clerk of this

Court. The attorney for the respondent herein has refused to consent to the filing of this brief by Eltra Corporation.

The applicant, Eltra Corporation, has an interest in this case in that, should the judgment of the Court of Claims be upheld, Eltra Corporation will be required by the Government to indemnify it for a portion of that judgment.

Eltra Corporation is concerned with the pernicious effect the decision of the Court below will have on Government-Contractor relations and the probable increased cost to the Government of obtaining items it needs on an indemnified basis. Furthermore, Eltra Corporation is concerned with the effect the decision of the of the Court below will have on the law of compensation in eminent domain cases, particularly where the property taken is a patented invention, and more generally, there is concern with the effect of the decision of the Court below on the law of damages in patent infringement cases.

Eltra Corporation believes its views as advanced in its brief will provide further illumination of the problem generated by the decision of the Court below, especially as to the effect of that decision on those who contract with the Government and of the reasons why this Court should grant Certiorari.

Wherefore, Eltra Corporation respectfully requests this Court to permit it to file the accompanying Brief *Amicus Curiae* in support of the Petition for a Writ of Certiorari by the United States of America.

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BRIEF OF ELTRA CORPORATION AS *AMICUS CURIAE* IN SUPPORT OF CERTIORARI

OPINIONS BELOW

The opinion of the trial judge of the Court of Claims (App. A, pp. 1a-31a) is not officially reported. The opinion of the Court of Claims (App. B, pp. 32a-108a), as amended on rehearing (App. C, pp. 109a-112a), is reported at 547 F.2d 1106.[1]

[1] "App." references are to Petitioner's Appendices attached to the Petition.

JURISDICTION

The Court of Claims announced its opinion with respect to the questions presented here on December 15, 1976, and, except for amendments to its original opinion, denied both parties' motions for rehearing on March 4, 1977 (App. C, pp. 109a-112a). The final judgment of the Court of Claims was entered on July 12, 1977 (App. D, pp. 113a-115a). It is understood that by an order dated October 6, 1977, the Chief Justice extended the time for filing a petition for a writ of certiorari to and including November 9, 1977, without prejudice to the Court's consideration of whether the application was timely filed. The jurisdiction of this Court is invoked under 28 U.S.C. 1255(1).

QUESTIONS PRESENTED

1. Whether the market value of a license in respondent's patents taken by eminent domain under 28 U.S.C. §1498 should be determined by reference to (a) unaccepted offers made by respondent and (b) optional provisions in a single license agreement between respondent and a helicopter manufacturer which were never allowed to take effect.

2. Whether evidence of royalties actually paid under two license agreements can be ignored because of the existence of the government power to take a license in patents by eminent domain.

STATUTE INVOLVED

28 U.S.C. 1498(a) provides in pertinent part:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.
>
> For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

INTEREST OF ELTRA CORPORATION

Eltra Corporation is a successor-in-interest to Hiller Helicopters, which during the period in question in this litigation produced some of the helicopters, which are the subject matter of this litigation, and which have been adjudged to infringe one of respondent's patents. The Government contends that in at least some of the contracts for the procurement of these helicopters from Hiller by the Government, Hiller agreed to indemnify the Government against possible patent infringement claims. While the amounts for which ELTRA might be liable are small in comparison to the total judgment against the Government, they are sufficiently large to be of concern to ELTRA. Additionally, as a result of a settlement agreement in *Autogiro Company of America v. ELTRA Corporation*, Civil Action No. 37,351 in the District Court for the Northern District of California, ELTRA has agreed to pay respondent the same rate of compensation for certain commercial helicopters as is finally determined by the Court of Claims in this case. ELTRA is involved in government procurements where indemnification of the Government for

patent infringement might be involved, and will be affected as a result of the pernicious influence this case will have on government-contractor relations. ELTRA, from time to time, is involved in patent litigation and is concerned with the effect this decision might have on the law of damages in such cases in the federal courts.

STATEMENT

This case arises out of an action brought by the respondent in the United States Court of Claims under the provisions of 28 U.S.C. §1498 wherein reasonable compensation is sought for the unauthorized manufacture and/or use by or for the government of respondent's patented inventions. In *Autogiro Company of America v. United States,* 384 F.2d 391, the Court of Claims found that only eleven patents out of thirty-two asserted by respondent at various times during this lengthy litigation were valid and infringed by seven models of helicopters, including Hiller helicopters.[2] It is notable that most of these patents were finally adjudged to be valid, and infringed on the basis that the government had not properly excepted to all of the nearly four hundred findings on validity and infringement made by the Trial Commissioner. 384 F.2d at 401-403, 415. Thus, much of the infringement liability was finally adjudicated in the lower court solely on the basis of a technicality, rather than on the merits.

The petition for a writ of certiorari is, however, not concerned with the adjudication of liability, but with the manner by which the Court below measured the compensation to which respondent is entitled. In order

[2]The Hiller machines were found to have infringed only U.S. Patent No. 1,990,291. (App. B, p. 37a).

to arrive at what it deemed to be an appropriate measure of damages, the Court below utilized a royalty rate which had never been accepted by anyone in the industry other than one manufacturer, who never allowed a provision requiring that royalty rate to be put into effect. Therefore, although the respondent-patentee was found to have had no established royalty rate, which had been accepted by the industry, the Court below allowed a series of unaccepted offers of a given royalty rate to be the measure of damages.

In order to place this case in its proper context, the history of respondent's licensing activities must be understood. Although a principal in respondent's predecessor-in-interest, Harold F. Pitcairn, now deceased, initially engaged in an attempt to develop and manufacture autogiros, and to this end acquired patents and know-how of others, these efforts were soon abandoned in favor of merely selling patent licenses to the rotary wing aircraft industry. (App. B, pp. 34a-35a, FF 466)[3]

Before World War II, Pitcairn, a principal of Autogiro Company of America, caused that company to license himself and one other company, Kellett Autogiro, under certain of the Autogiro-owned patents generally at a royalty rate of 5% of the aircraft retail sale price. Those licenses included provisions permitting the licensee, Pitcairn, to use all of Autogiro's patents and to utilize any Autogiro technical data at cost. When Pitcairn sold his manufacturing facility, the beneficiary of the aforementioned license, his successors-in-interest, first a company called G&A Aviation and later the Firestone Tire

[3]FF refers to Findings of Fact made by the Court of Claims as a part of its December 15, 1976 opinion. It is understood that copies of these have been lodged with the Clerk by Petitioner.

and Rubber Company, retained licenses similar to the one Pitcairn had sold to himself. (App. B, p. 44a, n. 4).

During World War II, Autogiro agreed to a wartime-only license with United Aircraft Corporation, the manufacturer of the Sikorsky helicopter, and the United States Army Air Corps at a royalty rate of 0.85% of the total airframe price exclusive of the cost of the engines. This wartime license was allowed to terminate by its own provisions upon the cessation of hostilities. At that point, respondent's predecessor was without any licensees, and it was then necessary for it to embark upon a new round of negotiations with various helicopter manufacturers. (App. B, p. 45a, n. 5).

The aforementioned negotiations resulted in only *one* license agreement with *one* manufacturer, United (Sikorsky). In January, 1947, United accepted a license requiring payment for the years 1947 and 1948 of a royalty having a ceiling of $500 per aircraft; in January, 1949, this royalty rate was to be increased to two percent (2%) of the retail price of each aircraft sold. This license, however, included a provision by which it could be cancelled by United prior to effective date of the 2% royalty rate. United exercised this option; United refused to allow the 2% royalty provision to become operative. (App. B, pp. 45a-46a).

Following the inception of the agreement with United, Autogiro loudly trumpeted to the industy that it had reached an agreement with United at a 2% royalty rate, and a similar rate was offered to the industry. (App. B, p. 46a). *No* manufacturer agreed to Autogiro's offer; no one thought enough of the Autogiro patent portfolio to agree to such a royalty rate. (App. A, p. 15a; App. B, pp. 46a-48a). Following these refusals in July, 1948, United, under the provisions of its agreement with Autogiro,

timely cancelled the license with Autogiro before the 2% royalty rate was to become effective. (App. B, pp. 48a-49a, n. 11). During further negotiations following the United cancellation, Pitcairn offered to *sell* his *entire* Autogiro patent portfolio to United for the total sum of $750,000. (App. B, p. 95a). United did not think the patent portfolio was worth it and refused. Another round of negotiations ensued at the behest of Autogiro, and following these negotiations United agreed to a paid-up license covering all of the Autogiro patents (over 200 patents) for the total sum of $120,000. The latter represented the additional payment necessary to arrive at a $325,000 paid-up license after taking into consideration royalties previously paid by United in previous years. This is the *only* established royalty before the Court for the post-war years, which the Court held to be the only operative period.

Before the Trial Commissioner in the Court below, the Government's able and experienced expert witness testified as to how "reasonable and entire compensation" should be computed. His computations were based on an extrapolation from the only actual royalty paid by any licensee during the period 1946 through 1949, the royalty for the paid-up license described above. He calculated that respondent was entitled to a royalty compensation of $830,377.22. (App. B, pp. 102a-106a, n. 3). In contrast the Court below finally arrived at an award of damages in the amount of $14,440,772.

The sole stated basis for the Court's award described above is 2% royalty provision in the United license discussed above wherein, commencing in January, 1949, United agreed to pay a royalty of 2% of the airframe price of each aircraft. This measure was used despite the fact that no other manufacturer in the industry agreed to

such a royalty rate and despite the fact that United rejected that royalty rate prior to that provision of its agreement with Autogiro becoming effective.

An otherwise unaccepted and never operative 2% royalty provision in a 1947 license formed the basis for the Court of Claims' determination that the market value of the license for plaintiff's patent portfolio was a 2% royalty rate. (App. B, pp. 52a-53a). The previously agreed upon royalty ceiling of $500 per aircraft, the $120,000 payment for a paid-up license, and Autogiro's offer to sell its entire patent portfolio for a sum of $750,000 were completely ignored by the Court of Claims, because it viewed them as compromises of possible litigation. (App. B, pp. 51a-52a). The latter conclusion, it is to be noted, has no basis in the record, and can only be considered the result of speculation. The Court below concluded that the 2% royalty figure was "highly probative" (App. B, p. 49a) of the value of respondent's patents because "(respondent) proposed similar licenses to other manufacturers of helicopters, in effect announcing its post-war rate to be 2%". (App. B, p. 46a). The Court below overcame the refusal by the entire industry to be bound to respondent by a 2% royalty rate by its finding of a "significant fact * * * that * * * (respondent) made the offer and made it widely". (App. B, p. 46a). The Court below chose to completely ignore and reject the relevance of the *only* licensing transaction which was allowed, because somehow it viewed that agreement as the product of "one-sided litigation pressure" by United upon respondent. (App. B, p. 52a). On the basis of this pure speculation, it ruled that "the 2% rate should be accepted for all infringements". (App. B, p. 51a).[4]

[4]The Court below applied the other provisions of the United agreement for the brief period prior to January 1, 1949. (App. B, pp. 53a-54a, n. 16).

This Court's attention is directed to the dissenting opinion by Judges Kashiwa and Bennett. (App. B, pp. 83a-108a). They would have followed the reasoning of the Government's expert witness and awarded a royalty compensation in the amount stated hereinabove. They, it is believed, correctly analyzed the problem by finding that the marketplace had in fact rejected, in fact totally rejected, respondent's offer of a 2% royalty rate. The only royalty payment arrangement ever accepted by anyone in the marketplace was that discussed hereinabove, i.e., the paid-up license which would have resulted in the award of the lower royalty figure mentioned above.

The Court below chose to ignore the most reliable indicator of an infringed patent's value, the value placed upon it *in actuality* by the marketplace. Instead, on the basis of pure *speculation*, the Court chose to utilize the measure of a 2% royalty rate merely on the basis that respondent had widely offered it to the industry, and on the basis that it otherwise would have been accepted had there not been the alleged, but unproved, one-sided litigation pressure. Thus, the Court below chose to utilize speculation instead of fact in arriving at its measure of damages. In so doing, it conjured up a principle of law which has never before been accepted, and if now accepted, will wreak havoc on the law of compensation in eminent domain cases and on the law of damages in patent cases.

REASONS FOR GRANTING THE WRIT

Should the decision of the Court of Claims in this matter be allowed to stand, it can be reasonably expected that in future situations where a patentee anticipates seeking compensation from the Government under 28 U.S.C. 1498 the following scenario will ensue.

The patentee, aware of Government procurement involving his invention, in anticipation of seeking recovery from the Government, will contact others in his industry requesting that they take a license under his patent at what everyone agrees is an exorbitant royalty rate. Failing to find any takers on the commercial market, the patentee will file suit in the Court of Claims under 28 U.S.C. 1498 seeking "reasonable and entire compensation" for unauthorized use and/or manufacture of his invention by the Government. In pleading his case to the Court of Claims, the patentee will contend that his measure of damages should be the previously mentioned exorbitant royalty rate which had been widely offered, but completely rejected by the industry. The patentee will contend that he is entitled *prima facie* to it because he offered it to everyone in the industry, and that the only reason it was not accepted by the industry was the fact that he could not enjoin Government contractors from using the invention and that he was subjected to "one-sided litigation pressure". Using its previous decision in *Pitcairn v. United States* as precedent, the Court of Claims will then give the patentee as his measure of damages the exorbitant royalty rate which everyone in the industry had refused.

The foregoing is not an unreasonable picture of the result of future litigation in the Court of Claims on the basis of that Court's decision here on appeal. The Court below has opened wide the doors of the Federal Treasury, as well as the pockets of those who will be forced to indemnify the Government under certain conditions. This state of affairs should not be allowed by this Court to continue. The Government and its Contractors are entitled to the due process of law; the patentee must be required to offer greater proof of the value of his patent property than his own bold assertions.

THIS DECISION IS IN CONFLICT WITH A SUBSTANTIALLY CONTEMPORANEOUS DECISION BY THE SAME COURT

The decision here in question is in conflict with a substantially contemporaneous decision by the same Court on the question of the measure of damages where there was also found to be no established licensing program or established royalty. This state of affairs renders impossible for those who contract with the Government on an indemnity basis to determine what their potential liability might be in circumstances such as those here in question. Furthermore, two decisions of the Court below indicate that there is irreconcilable conflict in that Court as to a proper measure of damages in such circumstances, and therefore, that Court requires instruction by a higher authority.

In *Tektronix v. United States,* 552 F.2d 343, for example, the Court of Claims concluded that Tektronix had no established licensing program. It, therefore, concluded that there was no established royalty, and therefore, that which is the best measure of damages was not available as a measure of reasonable and entire compensation. It was then concluded that a reasonable royalty must be granted, and alternative methods were employed. The alternative method employed by the Court of Claims was the widely accepted willing buyer/willing seller concept which is best elucidated in *Georgia Pacific Corporation v. U.S. Plywood-Champion Papers Inc.,* 446 F.2d 295, *cert. denied,* 404 U.S. 970.

Under the foregoing concept the Court, utilizing figures produced by the accused infringer as to its profit picture and figures produced by the patentee as to its financial position, arrives at what it believes would be a royalty

figure agreeable to both parties, i.e., "a reasonable royalty". While admittedly this is an artifice, it has been proven to be a well accepted and workable method of arriving at suitable damages where there are no other historical facts tending to prove what the damages should be.

In effect the Court below in the case at bar found that there was no established licensing program, and no established royalty. As will be discussed, this Conclusion is open to question. Instead of using its own precedent in the *Tektronix* case, the Court relied on the pure speculation that there was one-sided litigation pressure or that the industry felt that it did not need to take a license because of the eminent domain taking by the Government, which considerations are not shown to be present by the evidence, and it was then speculated that had not these factors been present the industry would have accepted the respondent's widely offered 2% royalty rate.

Furthermore, the Court ignored or refused to adhere to, but did not specifically overturn, its previous decisions that the best possible measure for reasonable and entire compensation is an established royalty rate. *Carley Life Float Co. v. United States,* 74 Ct.Cl. 682. In the case here on appeal there was in fact an established royalty rate on the basis of the paid-up license with United, mentioned above. This clear indicator as to the value of the Autogiro patents was ignored as was the long line of Court of Claims decisions which utilize this indicator as the best evidence of the value of the property in question.

THIS DECISION IS IN CONFLICT WITH THE LAW OF DAMAGES IN PATENT CASES IN ALL FEDERAL CIRCUITS

In determining what constitutes "reasonable and entire compensation" under 28 U.S.C. 1498 inevitably the the law of damages in patent cases is considered. Conversely, because of the relatively large number of patent cases adjudicated by the Court of Claims under 28 U.S.C. 1498 the Federal Courts tend to utilize the decisions of this court as persuasive authority pointing to its expertise in patent cases by reason of the number of cases handled. The decision here in question, therefore, will become an important part of the law of damages in patent cases.

The precedent the decision below establishes is that in the absence of an established royalty a reasonable royalty can be established by proof of unaccepted offers. No Federal Circuit has been found to have accepted this principle. However, to have this principle become law in a court of such significance to the law of patents, at a minimum, produces an ambiguity considerably clouding what has heretofore been a proven and workable principle. At worst, it will be utilized as still another method by which a reasonable royalty can be determined in patent cases, considerably lowering the previously high standards of proof in this area to the point where essentially unproven assertions of value will suffice.

This conflict should be removed by removing the principle of law enunciated by the Court below.

THE CONCEPT OF "REASONABLE AND ENTIRE COMPENSATION" IN 28 U.S.C. 1498 REQUIRES FURTHER INTERPRETATION

In its decision here in question the Court below has accepted the principle that where one is seeking compensation for an eminent domain taking by the Government and where the property owner has widely offered that property for sale at a given rate, in the absence of a specific value placed on the property in the marketplace, the aforementioned offers have *prima facie* title to acceptance as the measure of compensation to which the property owner is entitled. More specifically in the case at hand, the Court below found that simply because the 2% royalty rate was widely offered to the industry, that offer has *prima facie* title to acceptance as the reasonable royalty for the period in question for use of the respondent's patents by the petitioner.

Acceptance of this principle in this case presupposes acceptance of (1) a provision in a single agreement which the parties never allowed to become effective and (2) offers made to at least three other major firms in the industry which were summarily rejected by those firms. Thus, the Court accepted principles which fly in the face of accepted principles of law in establishing compensation in eminent domain cases. *Sharp v. United States,* 191 U.S. 341, 348-349; *United States v. Dillman,* 146 F.2d 572, 575, cert. denied, 325 U.S. 870. Evidence of unaccepted offers, or for that matter, similar transactions which have not been accepted in the marketplace by an actual sale or exchange, are considered to be unreliable, and evidence of such indicia have been held to be inadmissible, even in previous decisions of the Court below. *Sharp v. United States, supra.*

As a result of this decision, the Court below will have established precedent that admissible evidence of the value of property taken in eminent domain proceedings can be the property owner's own view of the value of his property, and when he publicizes those views in the form of offers to other interested parties, those offers are *prima facie* entitled to acceptance by the Court. This has the effect of turning eminent domain proceedings into a forum for the property owner where he merely announces the value of his property and the Court acquiesces in the absence of at least a preponderance of evidence to the contrary. Essentially the Government will be forced to prove what the value of the taken property is not.

As indicated by the hypothetical scenario set forth hereinabove, the reasoning by the Court of Claims in this decision will have a wide and damaging impact on similar such cases which undoubtedly will arise in the future. The Court has established that unaccepted offers may be admitted into evidence in such cases, contrary to the normal rule, and they must be accepted as *prima facie* evidence of value. This decision thus seriously clouds the interpretation heretofore given "reasonable and entire compensation" to the point where this phrase can be interpreted to mean that the taken property's value for which its owner must be compensated is essentially that which the property owner says it is, even though the market does not agree. To allow this decision to go unreviewed and unreversed will do great mischief to eminent domain cases, and particularly those cases arising under 28 U.S.C. 1498.

In determining what is "reasonable and entire compensation" the Court below, on the basis of the decision here in question, would have us believe that once compensation is determined, it must be elevated by some

order of magnitude to compensate for the fact that where the Government is the dominant customer for the property in question, the matter will have been depressed and the value of the property depreciated. This simply is not the law and likewise would do great mischief to eminent domain proceedings in the future. It is only where this factor can be shown to be a "direct and identifiable element of depreciation" that it can be given consideration. *Winn v. United States,* 272 F.2d 282; *Boyd v. United States,* 222 F.2d 493, 495. No such direct relationship is present in this case, and there is no evidentiary support for the speculation by the Court below that such depreciation had occurred.

The decision of the Court below has changed the interpretation of "reasonable and entire compensation" to include evaluation of the possibility, in this case based on mere speculation, that some depreciation of the property in question has occurred by virtue of the fact that the Government is present in the marketplace and that the compensation must be elevated accordingly. Quite clearly, such an interpretation will escalate the costs of Government procurement and the values of judgments against the Government in the Court of Claims well beyond their true values.

It is submitted that the Court must review this decision to prevent the great damage which will occur to Government/Contractor relationships if the decision is allowed to become law. It is to be remembered that while the Government will often assume the entire liability for patent infringement by its contractors, there are numerous circumstances where the Government requires contractors to indemnify it for any possible infringement liability. The Government's general policy is that when it is buying commercially available goods, the Govern-

ment is entitled to be indemnified as a private party would be under the Uniform Commercial Code. See *Carrier Corp. v. United States,* 534 F.2d 250. Therefore, over and above the effect on the Federal Treasury described above, this decision will create great uncertainty with respect to the financial positions of numerous existing Government contractors in pending and future cases. It is quite likely that potential contractors will be unable to properly evaluate potential costs under Government contracts, and this uncertainty will undoubtedly have the effect that they will simply not bid where indemnification is involved, or will consider doing so only at an elevated price. In the alternative, the Government will often be forced to bear infringement liability where it would ordinarily not be necessary. The net result can only be a much greater expense to the Government for commercial goods, and this potential impact alone would appear to be sufficient to require review of the decision in question by this Court.

The decision by the Court below is so clearly erroneous and so susceptible to misuse by condemnee litigants in all types of eminent domain cases that action to correct this error is necessary.

CONCLUSION

For the reasons advanced hereinabove Eltra Corporation urges that the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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